



**Heritage NOLA**  
**Bancorp, Inc.**

## **Annual Report 2022**



April 10, 2023

To Our Valued Shareholders:

2022 was an interesting year for our company. A mixed blessing if you will.

The Federal Reserve's campaign to control inflation, rapidly tightening monetary policy through aggressive interest rate increases, coming on the heels of expansive fiscal policy by the United States Congress put increasing pressure on many banks' financial performance throughout 2022. Heritage was no exception.

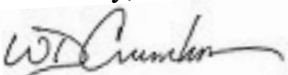
By the third quarter of the year, disintermediation – not seen in our industry on over 40 years – began to force deposit pricing and management into a defensive posture. While the customer base we serve grew steadily throughout the year, non-time deposits – having swollen during the Covid 19 Pandemic – began to dissipate as large deposits searched for higher yields. Cost of Funds rose from 0.46% in Q1 to 0.96% in Q4. Yield on our earning assets increased only slightly during the year. However, the growth in our asset base offset the margin compression, generating nearly 15% larger Net Interest Income in Q4 vs. Q1.

Our core residential mortgage business was greatly impacted by the same economic conditions. Mortgage rates practically doubled during the year. Refinancing transactions virtually disappeared, and home purchase transactions were significantly less as the year progressed, resulting in a huge reduction in noninterest income. The credit quality of our loan portfolio remains very strong; nonperforming assets are minimal.

We greet each day with a sense of optimism that we are poised to capitalize upon the expected return of a positively sloped yield curve. Our franchise value continues to climb as we attract new customers and turn them into friends with exceptional service.

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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ANNUAL AUDIT REPORT

2022 AND 2021

**Consolidated Financial Statements**  
**Heritage NOLA Bancorp, Inc.**

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## 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, 2022, and 2021, and the related consolidated statements of income, comprehensive income (loss), 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, 2022, and 2021, 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,

*Hannis T. Bourgeois, LLP*

Baton Rouge, Louisiana  
March 7, 2023



**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Dollars in thousands)

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| <b><u>ASSETS</u></b>   |                              |                              |
| Cash and Due from Banks  | \$ 2,552                     | \$ 1,162                     |
| Interest Earning Deposits in Banks   | 1,883                        | 13,531                       |
| Federal Funds Sold   | 250                          | —                            |
| Total Cash and Cash Equivalents  | 4,685                        | 14,693                       |
| Interest Earning Time Deposits in Banks  | 2,341                        | 3,586                        |
| Securities Available for Sale, at Fair Value   | 15,920                       | 17,681                       |
| Securities Held to Maturity  | 8,588                        | 2,722                        |
| Mortgage Loans Held for Sale   | —                            | 199                          |
| Loans Receivable, Net of Unearned Income   | 136,530                      | 103,615                      |
| Allowance for Loan Losses  | (1,020)                      | (1,033)                      |
| Total Loans, Net   | 135,510                      | 102,781                      |
| Premises and Equipment   | 6,907                        | 7,191                        |
| Federal Home Loan Bank Stock   | 857                          | 846                          |
| Bank Owned Life Insurance  | 2,312                        | 2,259                        |
| Prepaid Expenses and Other Assets  | 2,418                        | 1,810                        |
| <b>Total Assets</b>  | <b>\$ 179,538</b>            | <b>\$ 153,569</b>            |
| <b><u>LIABILITIES AND EQUITY</u></b>   |                              |                              |
| Interest Bearing Deposits  | \$ 119,325                   | \$ 104,633                   |
| Noninterest Bearing Deposits   | 16,794                       | 14,527                       |
| Total Deposits   | 136,119                      | 119,160                      |
| Borrowed Funds   | 21,612                       | 10,468                       |
| Advances from Borrowers for Taxes and Insurance                                      | 216                          | 547                          |
| Accrued Expenses and Other Liabilities   | 1,103                        | 1,135                        |
| <b>Total Liabilities</b>   | <b>159,050</b>               | <b>131,310</b>               |
| <b>Shareholders' Equity</b>  |                              |                              |
| Preferred Stock, \$0.01 Par Value, 1,000,000 Shares Authorized, None Issued          | —                            | —                            |
| Common Stock, \$0.01 Par Value, 9,000,000 Shares Authorized, 1,239,680 and 1,292,880 |                              |                              |
| Shares Issued and Outstanding on December 31, 2022 and December 31, 2021             | 12                           | 13                           |
| Additional Paid-in Capital   | 10,364                       | 10,960                       |
| Unallocated common stock held by:  |                              |                              |
| Employee Stock Ownership Plan (ESOP)   | (1,005)                      | (1,058)                      |
| Retained Earnings  | 13,161                       | 12,535                       |
| Accumulated Other Comprehensive Income (Loss)  | (2,044)                      | (191)                        |
| <b>Total Shareholders' Equity</b>  | <b>20,488</b>                | <b>22,259</b>                |
| <b>Total Liabilities and Shareholders' Equity</b>                                    | <b>\$ 179,538</b>            | <b>\$ 153,569</b>            |

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, 2022 AND 2021**  
(Dollars in thousands)

|   | <b>Years Ended December 31,</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>2022</b>                     | <b>2021</b>     |
| <b>Interest Income</b>                              |                                 |                 |
| Loans, including Fees                               | \$ 5,671                        | \$ 5,520        |
| Investment Securities                               | 437                             | 207             |
| Other Interest Earning Assets                       | 179                             | 114             |
| Total Interest Income                               | <u>6,287</u>                    | <u>5,841</u>    |
| <b>Interest Expense</b>                             |                                 |                 |
| Deposits  | 790                             | 690             |
| Borrowed Funds                                      | 220                             | 187             |
| Total Interest Expense                              | <u>1,010</u>                    | <u>877</u>      |
| Net Interest Income                                 | 5,277                           | 4,964           |
| <b>Provision for Loan Losses</b>                    | <u>—</u>                        | <u>25</u>       |
| Net Interest Income after Provision for Loan Losses | 5,277                           | 4,939           |
| <b>Noninterest Income</b>                           |                                 |                 |
| Gain on Sale of Loans Originated for Sale           | 87                              | 649             |
| Loan Servicing Income                               | 331                             | 520             |
| Other Income  | 241                             | 212             |
| Total Noninterest Income                            | <u>659</u>                      | <u>1,381</u>    |
| <b>Noninterest Expense</b>                          |                                 |                 |
| Salaries and Employee Benefits                      | 3,089                           | 3,079           |
| Occupancy and Equipment                             | 643                             | 636             |
| Data Processing                                     | 297                             | 243             |
| FDIC Insurance and Examination Fees                 | 96                              | 87              |
| Director Compensation                               | 104                             | 71              |
| Legal, Accounting and Professional Fees             | 208                             | 180             |
| Advertising   | 144                             | 141             |
| Telephone and Communications                        | 87                              | 82              |
| Loss on Sale of Securities                          | —                               | 5               |
| Loss on Disposition of Fixed Assets                 | —                               | 5               |
| Other   | 502                             | 526             |
| Total Noninterest Expense                           | <u>5,170</u>                    | <u>5,055</u>    |
| <b>Income Before Income Tax Expense</b>             | 766                             | 1,265           |
| Income Tax Expense                                  | <u>140</u>                      | <u>256</u>      |
| <b>Net Income</b>                                   | <u>\$ 626</u>                   | <u>\$ 1,009</u> |
| <b>Earnings per share: Basic</b>                    | \$ 0.54                         | \$ 0.82         |
| <b>Diluted</b>                                      | \$ 0.51                         | \$ 0.80         |

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, 2022 AND 2021**  
(Dollars in thousands)

|   | <b>Years Ended December 31,</b> |               |
|---|---------------------------------|---------------|
|   | <b>2022</b>                     | <b>2021</b>   |
| <b>Net Income</b>   | \$ 626                          | \$ 1,009      |
| <b>Other Comprehensive Income (Loss):</b>   |                                 |               |
| Unrealized Holding Gains (Losses) on Securities Available for Sale                                      | (2,346)                         | (315)         |
| Reclassification Adjustment for Realized Losses on Securities Available for Sale included in Net Income | —                               | 5             |
| Income Tax Effect   | 493                             | 65            |
| Total Other Comprehensive Income  | (1,853)                         | (245)         |
| <b>Comprehensive Income (Loss)</b>  | <u>\$ (1,227)</u>               | <u>\$ 764</u> |

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, 2022 AND 2021**  
(Dollars in thousands)

|   | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid In<br/>Capital</u> | <u>Unallocated<br/>ESOP<br/>Shares</u> | <u>Retained<br/>Earnings</u> | <u>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</u> | <u>Total</u>     |
|---|-------------------------|---|--|------------------------------|--|------------------|
| <b>Balance at January 1, 2021</b>                 | \$ 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)            |
| <b>Balance at December 31, 2021</b>               | <u>\$ 13</u>            | <u>\$ 10,960</u>                          | <u>\$ (1,058)</u>                      | <u>\$ 12,535</u>             | <u>\$ (191)</u>  | <u>\$ 22,259</u> |
| <b>Balance at January 1, 2022</b>                 | \$ 13                   | \$ 10,960                                 | \$ (1,058)                             | \$ 12,535                    | \$ (191)   | \$ 22,259        |
| Compensation Expense related to restricted shares | —                       | 155                                       | —                                      | —                            | —  | 155              |
| Compensation Expense related to stock options     | —                       | 101                                       | —                                      | —                            | —  | 101              |
| ESOP Shares Released                              | —                       | 35  | 53                                     | —                            | —  | 88               |
| Stock Shares Repurchased                          | (1)                     | (887)                                     | —                                      | —                            | —  | (888)            |
| Net Income  | —                       | —   | —                                      | 626                          | —  | 626              |
| Other Comprehensive Income (Loss)                 | —                       | —   | —                                      | —                            | (1,853)  | (1,853)          |
| <b>Balance at December 31, 2022</b>               | <u>\$ 12</u>            | <u>\$ 10,364</u>                          | <u>\$ (1,005)</u>                      | <u>\$ 13,161</u>             | <u>\$ (2,044)</u>  | <u>\$ 20,488</u> |

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, 2022 AND 2021**  
(Dollars in thousands)

|   | <b>Years Ended December 31,</b> |                |
|---|---------------------------------|----------------|
|   | <b>2022</b>                     | <b>2021</b>    |
| <b>Cash Flows from Operating Activities</b>                               |                                 |                |
| Net Income  | \$ 626                          | \$ 1,009       |
| Adjustments to Reconcile Net Income to Net Cash from Operating Activities |                                 |                |
| Provision for Loan Losses   | —                               | 25             |
| Provision for Depreciation  | 291                             | 287            |
| Deferred Income Tax Expense (Benefit)                                     | (27)                            | (5)            |
| Change in Mortgage Servicing Rights                                       | (1)                             | (150)          |
| (Gain) or Loss on Sale of Securites Available for Sale                    | —                               | 5              |
| (Accretion) Amortization of Premiums and Discounts on Securities          | 101                             | 105            |
| (Accretion) Amortization of Deferred Loan Origination Fees                | 60                              | 117            |
| Gain on Sale of Loans Originated for Sale                                 | (87)                            | (649)          |
| Proceeds from Sale of Loans   | 5,903                           | 34,281         |
| Originations of Loans Held for Sale                                       | (5,617)                         | (30,611)       |
| Loss on disposal of Premise and Equipment                                 | —                               | 5              |
| Stock dividends on FHLB Stock   | (11)                            | (5)            |
| Compensation Expense related to Stock Benefit Plans                       | 344                             | 332            |
| (Increase) Decrease in Accrued Interest Receivable                        | (120)                           | 25             |
| (Increase) Decrease in Bank Owned Life Insurance                          | (53)                            | (53)           |
| (Increase) Decrease in Prepaid Expenses and Other Assets                  | 33                              | (56)           |
| Increase (Decrease) in Accrued Expenses and Other Liabilities             | (32)                            | 72             |
| Net Cash provided by (used in) Operating Activities                       | <u>1,410</u>                    | <u>4,734</u>   |
| <b>Cash Flows from Investing Activities</b>                               |                                 |                |
| Purchases of Securities Available for Sale                                | (2,167)                         | (10,305)       |
| Principal Collected on Securities Available for Sale                      | 1,505                           | 2,492          |
| Proceeds from Sale of Securities Available for Sale                       | —                               | 1,535          |
| Purchases of Securities Held to Maturity                                  | (7,078)                         | (2,553)        |
| Principal Collected on Securities Held to Maturity                        | 1,188                           | 93             |
| Net Change in Interest-earning Time Deposits at Banks                     | 1,245                           | 1,494          |
| Net (Increase) Decrease in Loans  | (32,988)                        | (1,953)        |
| Purchases of Premises and Equipment                                       | (7)                             | (76)           |
| Net Cash provided by (used in) Investing Activities                       | <u>(38,302)</u>                 | <u>(9,273)</u> |

(Continued on the next page)

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Dollars in thousands)

|   | <b>Years Ended December 31,</b> |                         |
|---|---------------------------------|-------------------------|
|   | <b>2022</b>                     | <b>2021</b>             |
| <b>Cash Flows from Financing Activities</b>             |                                 |                         |
| Net Increase (Decrease) in Deposits                     | 16,959                          | 15,469                  |
| Shares Repurchased                                      | (888)                           | (1,135)                 |
| Advances from Borrowers for Taxes and Insurance         | (331)                           | 290                     |
| Borrowed Funds  | 46,050                          | 4,200                   |
| Repayments of Borrowed Funds                            | <u>(34,906)</u>                 | <u>(7,837)</u>          |
| Net Cash provided by (used in) Financing Activities     | <u>26,884</u>                   | <u>10,987</u>           |
| <b>Net Change in Cash and Cash Equivalents</b>          | (10,008)                        | 6,448                   |
| <b>Cash and Cash Equivalents - Beginning of Period</b>  | <u>14,693</u>                   | <u>8,245</u>            |
| <b>Cash and Cash Equivalents - End of Period</b>        | <u><u>\$ 4,685</u></u>          | <u><u>\$ 14,693</u></u> |
| <b>Supplemental Disclosure of Cash Flow Information</b> |                                 |                         |
| Cash paid during the period for:                        |                                 |                         |
| Interest Paid on Deposits                               | \$ 786                          | \$ 690                  |
| Interest Paid on Borrowed Funds                         | \$ 185                          | \$ 194                  |
| Income Taxes Paid                                       | \$ 140                          | \$ 247                  |

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

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**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, 2021, 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 and was thereafter terminated. The Bank continues 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, 2022 and 2021, 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.

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 49% and 57% of the total loan portfolio at December 31, 2022 and 2021, 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:

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021.

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, 2022 and 2021.

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.



**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

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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.

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Earnings per common share were computed based on the following:

| <i>(in thousands, except per share data)</i>                   | <b>Years Ended December 31,</b> |             |
|--|---------------------------------|-------------|
|  | <b>2022</b>                     | <b>2021</b> |
| Numerator:   |                                 |             |
| Net income available to common shareholders                    | \$ 626                          | \$ 1,009    |
| Denominator:   |                                 |             |
| Weighted average common shares outstanding                     | 1,258,213                       | 1,338,719   |
| Average unallocated ESOP shares                                | (105,786)                       | (111,076)   |
| Weighted average shares  | 1,152,427                       | 1,227,643   |
| Effect of dilutive securities:                                 |                                 |             |
| Restrictive Stock  | 52,015                          | 38,630      |
| Stock Options  | 27,140                          | —           |
| Weighted average common shares outstanding - assuming dilution | 1,231,582                       | 1,266,273   |
| Basic earnings per common share                                | \$ 0.54                         | \$ 0.82     |
| Diluted earnings per common share                              | \$ 0.51                         | \$ 0.80     |

#### 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, 2022 and 2021, 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.

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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. In connection with the determination of the allowance for loan losses and valuation of foreclosed real estate, management obtains independent appraisals for significant properties.

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.

Leases

Effective January 1, 2022, the Company adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and all related amendments retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment, electing not to adjust the comparative period. This guidance requires that right-of-use (ROU) assets and lease liabilities be recorded on the balance sheet. The Company elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (1) whether existing contracts contain a lease, (2) the lease classification or (3) unamortized initial direct costs for existing leases. Additionally, the Company made accounting policy elections for the exclusion of short-term leases (leases with an initial term of 12 months or less and which do not include a purchase option that the Company is reasonably certain to exercise) from the balance sheet presentation. The Company had no operating or finance leases as of December 31, 2022.

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Recent Accounting Pronouncements

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. The Bank adopted ASU 2016-13 effective January 1, 2023. The adoption of this ASU resulted in the Bank increasing its allowance for loan losses in the amount of \$295,000. This amount was adjusted through retained earnings, net of deferred taxes, as of that date.

Reclassifications

Certain reclassifications may have been made to the 2021 financial information in order to conform to the 2022 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 7, 2023, 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 construction loans in process commitments of \$14.6 million, unfunded home equity lines of credit of \$10.1 million, and unfunded various other lines of credit of \$733,000. The Bank maintained cash accounts at various financial institutions during 2022 and 2021. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage under defined limits. At various times in 2022 and 2021, 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 2022, the line was renewed at \$6,700,000 until 2023. The interest rate would be set by FNBB on the day any borrowing occurs. There were no borrowings under this agreement at December 31, 2022 or 2021.

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**Note C - Investment Securities -**

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

|  |    | December 31, 2022 |            |            |           |
|--|----|-------------------|------------|------------|-----------|
|  |    | Amortized         | Gross      | Gross      | Fair      |
|  |    | Cost              | Unrealized | Unrealized | Value     |
|  |    |                   | Gains      | (Losses)   |           |
| (in thousands)                         |    |                   |            |            |           |
| <b>Available for Sale:</b>             |    |                   |            |            |           |
| U.S. Government Agency - SBA pools     | \$ | 727               | \$ —       | \$ (2)     | \$ 725    |
| U.S. Agency Mortgage-Backed Securities |    | 7,364             | 1          | (792)      | 6,573     |
| U.S. Government Agency                 |    | 4,495             | —          | (905)      | 3,590     |
| Municipal Bonds                        |    | 5,922             | —          | (890)      | 5,032     |
| Total Available for Sale               | \$ | 18,508            | \$ 1       | \$ (2,589) | \$ 15,920 |
| <b>Held to Maturity:</b>               |    |                   |            |            |           |
| U.S. Agency Mortgage-Backed Securities | \$ | 8,588             | \$ —       | \$ (908)   | \$ 7,680  |
|  |    |                   |            |            |           |
|  |    | December 31, 2021 |            |            |           |
|  |    | Amortized         | Gross      | Gross      | Fair      |
|  |    | Cost              | Unrealized | Unrealized | Value     |
|  |    |                   | Gains      | (Losses)   |           |
| (in thousands)                         |    |                   |            |            |           |
| <b>Available for Sale:</b>             |    |                   |            |            |           |
| 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 |
| <b>Held to Maturity:</b>               |    |                   |            |            |           |
| U.S. Agency Mortgage-Backed Securities | \$ | 2,722             | \$ 3       | \$ (33)    | \$ 2,692  |

There were no securities sold in 2022. In 2021, the proceeds from the sale of securities available for sale was \$1.5 million, resulting in net realized losses of \$5,000.

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The amortized cost and fair value of investment securities at December 31, 2022 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, 2022, were as follows:

| (in thousands)                     | Amortized<br>Cost | Fair<br>Value    |
|------------------------------------|-------------------|------------------|
| <b>Available for Sale:</b>         |                   |                  |
| Within One Year                    | \$ 1,004          | \$ 971           |
| After One Year Through Five Years  | 1,264             | 1,112            |
| After Five Years Through Ten Years | 4,624             | 3,730            |
| After Ten Years                    | 11,616            | 10,107           |
|                                    | <u>\$ 18,508</u>  | <u>\$ 15,920</u> |
| <b>Held to Maturity:</b>           |                   |                  |
| After One Year Through Five Years  | \$ 67             | \$ 63            |
| After Five Years Through Ten Years | 666               | 625              |
| After Ten Years                    | 7,855             | 6,992            |
|                                    | <u>\$ 8,588</u>   | <u>\$ 7,680</u>  |

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, 2022 and 2021:

| (in thousands)                         | December 31, 2022   |                    |                     |                    |                  |                    |
|--|---------------------|--------------------|---------------------|--------------------|------------------|--------------------|
|  | Less Than 12 Months |                    | 12 Months or Longer |                    | Total            |                    |
|  | Fair Value          | Unrealized<br>Loss | Fair Value          | Unrealized<br>Loss | Fair Value       | Unrealized<br>Loss |
| <b>Available for Sale:</b>             |                     |                    |                     |                    |                  |                    |
| U.S. Government Agency - SBA pools     | \$ 725              | \$ 2               | \$ —                | \$ —               | \$ 725           | \$ 2               |
| U.S. Agency Mortgage-Backed Securities | 2,904               | 111                | 3,612               | 681                | 6,516            | 792                |
| U.S. Government Agency                 | —                   | —                  | 3,590               | 905                | 3,590            | 905                |
| Municipal Bonds                        | 1,009               | 114                | 4,023               | 776                | 5,032            | 890                |
| Total Available for Sale               | <u>\$ 4,638</u>     | <u>\$ 227</u>      | <u>\$ 11,225</u>    | <u>\$ 2,362</u>    | <u>\$ 15,863</u> | <u>\$ 2,589</u>    |
| <b>Held to Maturity:</b>               |                     |                    |                     |                    |                  |                    |
| U.S. Agency Mortgage-Backed Securities | <u>\$ 5,202</u>     | <u>\$ 503</u>      | <u>\$ 2,479</u>     | <u>\$ 405</u>      | <u>\$ 7,681</u>  | <u>\$ 908</u>      |

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| (in thousands)                         | December 31, 2021   |                 |                     |                 |                  |                 |
|--|---------------------|-----------------|---------------------|-----------------|------------------|-----------------|
|  | Less Than 12 Months |                 | 12 Months or Longer |                 | Total            |                 |
|  | Fair Value          | Unrealized Loss | Fair Value          | Unrealized Loss | Fair Value       | Unrealized Loss |
| <b>Available for Sale:</b>             |                     |                 |                     |                 |                  |                 |
| 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               | <u>\$ 8,876</u>     | <u>\$ 162</u>   | <u>\$ 3,667</u>     | <u>\$ 166</u>   | <u>\$ 12,543</u> | <u>\$ 328</u>   |
| <b>Held to Maturity:</b>               |                     |                 |                     |                 |                  |                 |
| U.S. Agency Mortgage-Backed Securities | <u>\$ 2,527</u>     | <u>\$ 31</u>    | <u>\$ 56</u>        | <u>\$ 2</u>     | <u>\$ 2,583</u>  | <u>\$ 33</u>    |

Management evaluates securities for OTTI as described in Note A. No declines at December 31, 2022 and 2021 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.

**Note D - Loans Receivable --**

Loans receivable at December 31 are summarized as follows:

| (in thousands)                                       | 2022              | 2021              |
|--|-------------------|-------------------|
| Real Estate:   |                   |                   |
| Mortgage Loans held for sale                         | \$ —              | \$ 199            |
| Secured by one-to four family residential properties |                   |                   |
| Owner-occupied                                       | 53,836            | 45,259            |
| Non-owner-occupied                                   | 14,260            | 11,983            |
| Home Equity Lines of Credit                          | 5,624             | 4,232             |
| Commercial (Nonresidential) Properties               | 42,118            | 25,685            |
| Land   | 10,727            | 5,962             |
| Construction   | 18,075            | 7,707             |
| Multi-family   | 1,561             | 2,917             |
| Commercial   | 4,684             | 3,974             |
| Consumer Loans                                       | 349               | 485               |
| Total Loans  | <u>151,234</u>    | <u>108,403</u>    |
| Less: Net Deferred Loan Fees                         | (147)             | (206)             |
| Loans in Process                                     | (14,557)          | (4,383)           |
| Allowance for Loan Losses                            | (1,020)           | (1,033)           |
| Net Loans  | <u>\$ 135,510</u> | <u>\$ 102,781</u> |

Discounts on loans purchased amounted to \$61,000 and \$111,000 for the years ended December 31, 2022 and 2021, respectively.

At December 31, 2022, the Bank did have not any loans where formal foreclosure procedures had been initiated.



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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, 2022 and 2021. FHLB maintains a blanket lien on \$55.3 million of our loan portfolio and \$982,000 of our securities portfolio.

Loans - Real Estate, Commercial and Consumer

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 roll forward of the allowance for loan losses by loan type as of and for the years ended December 31, 2022 and 2021. The allocation of a portion of the allowance to one category does not preclude its availability to absorb losses in other categories.

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**Allowance for Credit Losses and Recorded Investment in Loans Receivable**  
**For the Year Ended December 31, 2022**  
(in thousands)

|                                     | Real Estate      |                  |                       |                  |                 |               |                 |                   |
|-------------------------------------|------------------|------------------|-----------------------|------------------|-----------------|---------------|-----------------|-------------------|
|                                     | Commercial       | Land             | One-to-Four<br>Family | Construction     | Multi-Family    | Consumer      | Commercial      | Total             |
| <u>Allowance for Credit Losses:</u> |                  |                  |                       |                  |                 |               |                 |                   |
| Beginning Balance                   | \$ 190           | \$ 66            | \$ 564                | \$ 55            | \$ 15           | \$ 17         | \$ 126          | \$ 1,033          |
| Charge-offs                         | —                | —                | —                     | —                | —               | (18)          | —               | (18)              |
| Recoveries                          | —                | —                | —                     | —                | —               | 5             | —               | 5                 |
| Provision                           | 15               | 9                | (45)                  | 34               | (9)             | 17            | (21)            | —                 |
| Ending Balance                      | <u>\$ 205</u>    | <u>\$ 75</u>     | <u>\$ 519</u>         | <u>\$ 89</u>     | <u>\$ 6</u>     | <u>\$ 21</u>  | <u>\$ 105</u>   | <u>\$ 1,020</u>   |
| Ending Balance:                     |                  |                  |                       |                  |                 |               |                 |                   |
| Individually                        |                  |                  |                       |                  |                 |               |                 |                   |
| Evaluated for                       |                  |                  |                       |                  |                 |               |                 |                   |
| Impairment                          | <u>\$ —</u>      | <u>\$ 1</u>      | <u>\$ 72</u>          | <u>\$ —</u>      | <u>\$ —</u>     | <u>\$ —</u>   | <u>\$ —</u>     | <u>\$ 73</u>      |
| Ending Balance:                     |                  |                  |                       |                  |                 |               |                 |                   |
| Collectively                        |                  |                  |                       |                  |                 |               |                 |                   |
| Evaluated for                       |                  |                  |                       |                  |                 |               |                 |                   |
| Impairment                          | <u>\$ 205</u>    | <u>\$ 74</u>     | <u>\$ 447</u>         | <u>\$ 89</u>     | <u>\$ 6</u>     | <u>\$ 21</u>  | <u>\$ 105</u>   | <u>\$ 947</u>     |
| <u>Loans Receivable:</u>            |                  |                  |                       |                  |                 |               |                 |                   |
| Ending Balance                      | <u>\$ 42,118</u> | <u>\$ 10,727</u> | <u>\$ 73,720</u>      | <u>\$ 18,075</u> | <u>\$ 1,561</u> | <u>\$ 349</u> | <u>\$ 4,684</u> | <u>\$ 151,234</u> |
| Ending Balance:                     |                  |                  |                       |                  |                 |               |                 |                   |
| Individually                        |                  |                  |                       |                  |                 |               |                 |                   |
| Evaluated for                       |                  |                  |                       |                  |                 |               |                 |                   |
| Impairment                          | <u>\$ —</u>      | <u>\$ 13</u>     | <u>\$ 707</u>         | <u>\$ —</u>      | <u>\$ —</u>     | <u>\$ —</u>   | <u>\$ —</u>     | <u>\$ 720</u>     |
| Ending Balance:                     |                  |                  |                       |                  |                 |               |                 |                   |
| Collectively                        |                  |                  |                       |                  |                 |               |                 |                   |
| Evaluated for                       |                  |                  |                       |                  |                 |               |                 |                   |
| Impairment                          | <u>\$ 42,118</u> | <u>\$ 10,714</u> | <u>\$ 73,013</u>      | <u>\$ 18,075</u> | <u>\$ 1,561</u> | <u>\$ 349</u> | <u>\$ 4,684</u> | <u>\$ 150,514</u> |

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**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<br>Family | Construction    | Multi-Family    | Consumer      | Commercial      | Total             |
| <u>Allowance for Credit Losses:</u>         |                  |                 |                       |                 |                 |               |                 |                   |
| 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                              | <u>\$ 190</u>    | <u>\$ 66</u>    | <u>\$ 564</u>         | <u>\$ 55</u>    | <u>\$ 15</u>    | <u>\$ 17</u>  | <u>\$ 126</u>   | <u>\$ 1,033</u>   |
| Ending Balance:                             |                  |                 |                       |                 |                 |               |                 |                   |
| Individually<br>Evaluated for<br>Impairment | <u>\$ —</u>      | <u>\$ 2</u>     | <u>\$ 47</u>          | <u>\$ —</u>     | <u>\$ —</u>     | <u>\$ —</u>   | <u>\$ —</u>     | <u>\$ 49</u>      |
| Ending Balance:                             |                  |                 |                       |                 |                 |               |                 |                   |
| Collectively<br>Evaluated for<br>Impairment | <u>\$ 190</u>    | <u>\$ 64</u>    | <u>\$ 517</u>         | <u>\$ 55</u>    | <u>\$ 15</u>    | <u>\$ 17</u>  | <u>\$ 126</u>   | <u>\$ 984</u>     |
| <u>Loans Receivable:</u>                    |                  |                 |                       |                 |                 |               |                 |                   |
| Ending Balance                              | <u>\$ 25,685</u> | <u>\$ 5,962</u> | <u>\$ 61,673</u>      | <u>\$ 7,707</u> | <u>\$ 2,917</u> | <u>\$ 485</u> | <u>\$ 3,974</u> | <u>\$ 108,403</u> |
| Ending Balance:                             |                  |                 |                       |                 |                 |               |                 |                   |
| Individually<br>Evaluated for<br>Impairment | <u>\$ —</u>      | <u>\$ 18</u>    | <u>\$ 465</u>         | <u>\$ —</u>     | <u>\$ —</u>     | <u>\$ —</u>   | <u>\$ —</u>     | <u>\$ 483</u>     |
| Ending Balance:                             |                  |                 |                       |                 |                 |               |                 |                   |
| Collectively<br>Evaluated for<br>Impairment | <u>\$ 25,685</u> | <u>\$ 5,944</u> | <u>\$ 61,208</u>      | <u>\$ 7,707</u> | <u>\$ 2,917</u> | <u>\$ 485</u> | <u>\$ 3,974</u> | <u>\$ 107,920</u> |

**Credit quality indicators as of December 31, 2022 and 2021:**

*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.

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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*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)

| <b>December 31, 2022</b> |                               |                  |                           |                     |                     |                 |                   |                   |
|--------------------------|-------------------------------|------------------|---------------------------|---------------------|---------------------|-----------------|-------------------|-------------------|
|                          | <b>Real Estate</b>            |                  |                           |                     |                     | <b>Consumer</b> | <b>Commercial</b> | <b>Total</b>      |
|                          | <b>Commercial Real Estate</b> | <b>Land</b>      | <b>One-to-Four Family</b> | <b>Construction</b> | <b>Multi-Family</b> |                 |                   |                   |
| Pass                     | \$ 42,118                     | \$ 10,714        | \$ 72,532                 | \$ 18,075           | \$ 1,561            | \$ 349          | \$ 4,684          | \$ 150,033        |
| Special Mention          | —                             | —                | —                         | —                   | —                   | —               | —                 | —                 |
| Substandard              | —                             | 13               | 1,188                     | —                   | —                   | —               | —                 | 1,201             |
| Doubtful                 | —                             | —                | —                         | —                   | —                   | —               | —                 | —                 |
| Loss                     | —                             | —                | —                         | —                   | —                   | —               | —                 | —                 |
|                          | <u>\$ 42,118</u>              | <u>\$ 10,727</u> | <u>\$ 73,720</u>          | <u>\$ 18,075</u>    | <u>\$ 1,561</u>     | <u>\$ 349</u>   | <u>\$ 4,684</u>   | <u>\$ 151,234</u> |

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

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

The following tables are an aging analysis of loans as of December 31, 2022 and 2021:

**Aged Analysis of Past Due Loans Receivable**

(in thousands)

| <b>December 31, 2022</b>           |  |                           |                 |                              |                                       |                   |
|------------------------------------|--|---------------------------|-----------------|------------------------------|---------------------------------------|-------------------|
| <b>Accruing</b>                    |  |                           |                 | <b>Nonaccrual<br/>Status</b> | <b>Total<br/>Loans<br/>Receivable</b> |                   |
| <b>30-89<br/>Days<br/>Past Due</b> | <b>90 Days<br/>and Over<br/>Past Due</b> | <b>Total<br/>Past Due</b> | <b>Current</b>  |                              |                                       |                   |
| Real Estate:                       |  |                           |                 |                              |                                       |                   |
| Residential                        | \$ 1,531                                 | \$ —                      | \$ 1,531        | \$ 71,482                    | \$ 707                                | \$ 73,720         |
| Commercial                         | —  | —                         | —               | 42,118                       | —                                     | 42,118            |
| Land                               | 13                                       | —                         | 13              | 10,701                       | 13                                    | 10,727            |
| Construction                       | —  | —                         | —               | 18,075                       | —                                     | 18,075            |
| Multi-family                       | —  | —                         | —               | 1,561                        | —                                     | 1,561             |
| Consumer                           | —  | —                         | —               | 349                          | —                                     | 349               |
| Commercial                         | —  | —                         | —               | 4,684                        | —                                     | 4,684             |
|                                    | <u>\$ 1,544</u>                          | <u>\$ —</u>               | <u>\$ 1,544</u> | <u>\$ 148,970</u>            | <u>\$ 720</u>                         | <u>\$ 151,234</u> |

| <b>December 31, 2021</b>           |  |                           |                 |                              |                                       |                   |
|------------------------------------|--|---------------------------|-----------------|------------------------------|---------------------------------------|-------------------|
| <b>Accruing</b>                    |  |                           |                 | <b>Nonaccrual<br/>Status</b> | <b>Total<br/>Loans<br/>Receivable</b> |                   |
| <b>30-89<br/>Days<br/>Past Due</b> | <b>90 Days<br/>and Over<br/>Past Due</b> | <b>Total<br/>Past Due</b> | <b>Current</b>  |                              |                                       |                   |
| 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             |
|                                    | <u>\$ 1,421</u>                          | <u>\$ —</u>               | <u>\$ 1,421</u> | <u>\$ 106,499</u>            | <u>\$ 483</u>                         | <u>\$ 108,403</u> |

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**Impaired Loans**  
(in thousands)

|  | <b>As Of And For The Year Ended December 31, 2022</b> |   |  |  |   |
|--|---|---|--|--|---|
|  | <b>Recorded<br/>Investment</b>                        | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Allowance<br/>for Loan<br/>Losses<br/>Allocated</b> | <b>Average<br/>Recorded<br/>Investment</b> | <b>Interest<br/>Income<br/>Recognized</b> |
| <b>Loans with an allowance recorded:</b> |   |   |  |  |   |
| Real estate                              |   |   |  |  |   |
| 1-4 family residential                   | \$ 707  | \$ 707                                  | \$ 72  | \$ 369                                     | \$ —                                      |
| Commercial                               | —   | —                                       | —  | —  | —   |
| Land                                     | 13  | 13                                      | 1  | 13   | —   |
| Multi-Family                             | —   | —                                       | —  | —  | —   |
| Construction                             | —   | —                                       | —  | —  | —   |
| Consumer and Commercial                  | —   | —                                       | —  | —  | —   |
| <b>Loans with no allowance recorded:</b> |   |   |  |  |   |
| Real estate                              |   |   |  |  |   |
| 1-4 family residential                   | —   | —                                       | —  | —  | —   |
| Land                                     | —   | —                                       | —  | —  | —   |
| Commercial                               | —   | —                                       | —  | —  | —   |
| Multi-Family                             | —   | —                                       | —  | —  | —   |
| Construction                             | —   | —                                       | —  | —  | —   |
| Consumer and Commercial                  | —   | —                                       | —  | —  | —   |
| <b>Totals</b>                            | <b>\$ 720</b>   | <b>\$ 720</b>                           | <b>\$ 73</b>   | <b>\$ 382</b>                              | <b>\$ —</b>                               |

(CONTINUED)

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Impaired Loans**

(in thousands)

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

The tables below present modifications disaggregated by class for the years ended December 31, 2022 and 2021.

**Troubled Debt Restructuring**

(in thousands)

|   | Number of<br>Loans | Pre-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post-<br>Modification<br>Outstanding<br>Recorded<br>Investment |
|---|--------------------|---|--|
| <b>Modifications as of December 31, 2022:</b> |                    |   |  |
| Residential - modified amortization           | <u>—</u>           | <u>\$ —</u>   | <u>\$ —</u>  |
| <b>Modifications as of December 31, 2021:</b> |                    |   |  |
| Residential - modified amortization           | <u>1</u>           | <u>\$ 142</u>   | <u>\$ 142</u>  |

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.

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
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**Note E - Accrued Interest Receivable -**

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

| <u>(Dollars in thousands)</u> | <u>2022</u>   | <u>2021</u>   |
|-------------------------------|---------------|---------------|
| Securities Available for Sale | \$ 89         | \$ 74         |
| Securities Held to Maturity   | 19            | 4             |
| Interest Bearing Deposits     | 7             | 6             |
| Loans Receivable              | 460           | 362           |
|                               | <u>\$ 575</u> | <u>\$ 446</u> |

**Note F - Servicing –**

In 2022 and 2021, the Bank recognized a gain of \$87,000 and \$649,000, 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 \$5.9 million and \$34.3 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 \$102.1 million and \$103.8 million at December 31, 2022 and 2021, respectively. In connection with the foregoing mortgage loans serviced, custodial escrow balances (net) in the amount of \$834,000 and \$1.4 million at December 31, 2022 and 2021, 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, 2022 and 2021.

| <u>(Dollars in thousands)</u> | <u>2022</u>   | <u>2021</u>   |
|-------------------------------|---------------|---------------|
| Beginning Balance             | \$ 830        | \$ 680        |
| Additions                     | 76            | 288           |
| Amortization                  | (70)          | (126)         |
| Impairment                    | (5)           | (12)          |
|                               | <u>\$ 831</u> | <u>\$ 830</u> |



**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
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**Note G - Premises and Equipment –**

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

| <u>(Dollars in thousands)</u> | <u>Estimated<br/>Life</u> | <u>2022</u>            | <u>2021</u>            |
|-------------------------------|---------------------------|------------------------|------------------------|
| Land                          |                           | \$ 1,570               | \$ 1,570               |
| Buildings                     | 25 - 39 Years             | 8,180                  | 8,180                  |
| Furniture and Fixtures        | 3 - 10 Years              | 1,014                  | 1,006                  |
|                               |                           | <u>10,764</u>          | <u>10,756</u>          |
| Less Accumulated Depreciation |                           | <u>3,857</u>           | <u>3,565</u>           |
|                               |                           | <u><u>\$ 6,907</u></u> | <u><u>\$ 7,191</u></u> |

The provision for depreciation charged to operating expenses was \$291,000 and \$287,000 for the years ended December 31, 2022 and 2021, 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 \$122,000 and \$114,000 in 2022 and 2021, respectively. At December 31, 2022, the remaining future minimum receipts under these leases are as follows:

| <u>(Dollars in thousands)</u> |                      |
|-------------------------------|----------------------|
| 2023                          | \$ 62                |
| 2024                          | 34                   |
| 2025                          | 21                   |
|                               | <u><u>\$ 117</u></u> |

**Note I - Deposits -**

Deposit account balances at December 31, 2022 and 2021, are summarized as follows:

| <u>(Dollars in thousands)</u>    | <u>2022</u>              | <u>2021</u>              |
|----------------------------------|--------------------------|--------------------------|
| Non-Interest Bearing Deposits    | \$ 16,794                | \$ 14,527                |
| Interest Bearing Demand Deposits | 20,067                   | 24,075                   |
| Savings Deposits                 | 33,604                   | 33,796                   |
| Certificates of Deposit          | 59,213                   | 41,307                   |
| Individual Retirement Accounts   | 6,441                    | 5,455                    |
|                                  | <u><u>\$ 136,119</u></u> | <u><u>\$ 119,160</u></u> |

The aggregate amount of certificates of deposit with a denomination of greater than \$250,000 was approximately \$15.6 million and \$5.0 million at December 31, 2022 and 2021, respectively.

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
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At December 31, 2022, the scheduled maturities of all certificates of deposit were as follows:

| <b>(Dollars in thousands)</b> |                  |
|-------------------------------|------------------|
| 3 months or less              | \$ 7,178         |
| 3 months through 12 months    | 45,754           |
| 1 year through 3 years        | 9,700            |
| Over 3 years                  | 3,022            |
|                               | <u>\$ 65,654</u> |

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

| <b>(Dollars in thousands)</b> | <b>2022</b>   | <b>2021</b>   |
|-------------------------------|---------------|---------------|
| Interest Bearing DDAs         | \$ 95         | \$ 32         |
| Savings Accounts              | 104           | 86            |
| Certificates of Deposit       | 591           | 572           |
|                               | <u>\$ 790</u> | <u>\$ 690</u> |

**Note J - Borrowed Funds -**

Borrowed funds at December 31, 2022 and 2021 in the amounts of \$21.6 million and \$10.5 million, consisted of advances from the FHLB. These advances were at fixed interest rates at December 31, 2022, ranging from 0.378% to 4.680%. At December 31, 2022, the scheduled maturities of the advances were as follows:

| <b>(Dollars in thousands)</b> |                  |
|-------------------------------|------------------|
| 2023                          | \$ 18,612        |
| 2024                          | 2,000            |
| 2025                          | 1,000            |
| 2026                          | —                |
|                               | <u>\$ 21,612</u> |

These advances are collateralized by a blanket lien on a majority (75%) 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, 2022, the Bank had the capacity to borrow an additional \$28.2 million from the FHLB.

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note K - Income Taxes -**

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

| <u>(Dollars in thousands)</u>  | <u>2022</u>   | <u>2021</u>   |
|--------------------------------|---------------|---------------|
| Current Tax Provision          | \$ 172        | \$ 261        |
| Deferred Tax Expense (Benefit) | <u>(32)</u>   | <u>(5)</u>    |
| Provision                      | <u>\$ 140</u> | <u>\$ 256</u> |

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:

| <u></u>                      | <u>2022</u>   | <u>2021</u>   |
|------------------------------|---------------|---------------|
| Federal Statutory Income Tax | \$ 161        | \$ 266        |
| Tax Exempt Income            | (21)          | (19)          |
| Other - Net                  | <u>—</u>      | <u>9</u>      |
|                              | <u>\$ 140</u> | <u>\$ 256</u> |

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

| <u>(Dollars in thousands)</u>       | <u>2022</u>   | <u>2021</u>   |
|-------------------------------------|---------------|---------------|
| Deferred Tax Assets:                |               |               |
| Allowance for Loan Losses           | \$ 214        | \$ 217        |
| Deferred Loan Fees and Costs, net   | 18            | 20            |
| Deferred Compensation               | 284           | 262           |
| Net Unrealized Losses on Securities | <u>543</u>    | <u>51</u>     |
|                                     | 1,059         | 550           |
| Deferred Tax Liabilities:           |               |               |
| Tax over Book Depreciation          | 180           | 197           |
| Dividends on FHLB Stock             | 42            | 40            |
| Mortgage Servicing Rights           | 174           | 174           |
| Net Unrealized Gains on Securities  | <u>—</u>      | <u>—</u>      |
|                                     | <u>396</u>    | <u>411</u>    |
| Valuation Allowance                 | <u>—</u>      | <u>—</u>      |
| Net Deferred Tax Asset              | <u>\$ 663</u> | <u>\$ 139</u> |

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, 2019 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 2022 or 2021 related to the Bank's tax positions would be classified in the statement of income as other expense.

**HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 \$74,000 to the plan in 2022 and 2021, respectively.

The Bank has established a deferred compensation agreement with certain current and past directors and officers. The expense incurred for these agreements for the years ended December 31, 2022 and 2021 amounted to approximately \$65,000 and \$71,000, respectively. The accrued liability for these agreements at December 31, 2022 and 2021 amounted to approximately \$927,000 and \$866,000, 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, 2022 and December 31, 2021, 5,290 shares were allocated to ESOP plan participants each year, leaving 100,510 and 105,800 unallocated shares in the ESOP at December 31, 2022 and December 31, 2021, respectively. Compensation expense related to the ESOP was \$88,000 for the year ended December 31, 2022 and \$76,000 for the year ended December 31, 2021.

The stock price at the formation date was \$10.00. The aggregate fair value of the 100,510 unallocated shares was \$1,669,471 based on the \$16.61 closing price of the common stock on December 31, 2022.

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).

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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:

|                                    | 2022           |                                       | 2021           |                                       |
|------------------------------------|----------------|---------------------------------------|----------------|---------------------------------------|
|                                    | Options        | Weighted<br>Average<br>Exercise Price | Options        | Weighted<br>Average<br>Exercise Price |
| Options outstanding at January 1   | 144,825        | \$ 12.46                              | 145,825        | \$ 12.46                              |
| Granted                            | —              | —                                     | —              | —                                     |
| Exercised                          | —              | —                                     | —              | —                                     |
| Forfeited                          | —              | —                                     | (1,000)        | —                                     |
| Expired                            | —              | —                                     | —              | —                                     |
| Options outstanding at December 31 | <u>144,825</u> | <u>\$ 12.46</u>                       | <u>144,825</u> | <u>\$ 12.46</u>                       |

As of December 31, the Company had \$103,000 and \$206,000 of unrecognized compensation expense related to stock options expense for the years ended December 31, 2022 and December 31, 2021, respectively, having recognized \$102,000 compensation expense in 2022. 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, 2022, were granted on August 16, 2018 and September 18, 2018. There are 109,575 options exercisable at December 31, 2022 and there were 82,181 options exercisable at December 31, 2021.

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:

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|                                      | <b>Stock Options<br/>Granted<br/>August 16, 2018</b> | <b>Stock Options<br/>Granted<br/>September 18, 2018</b> |
|--------------------------------------|--|---|
| 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:

|                           | 2022                       |   | 2021                       |   |
|---------------------------|----------------------------|---|----------------------------|---|
|                           | Restricted<br>Stock Awards | Weighted Average<br>Fair Value at<br>Grant Date | Restricted<br>Stock Awards | Weighted Average<br>Fair Value at<br>Grant Date |
| Non-vested at January 1   | 28,857                     | \$ 12.46  | 41,275                     | \$ 12.46  |
| Granted                   | —                          | —   | —                          | —   |
| Vested                    | (12,418)                   | 12.46   | (12,418)                   | 12.46   |
| Forfeited                 | —                          | —   | —                          | —   |
| Non-vested at December 31 | 16,439                     | \$ 12.46  | 28,857                     | \$ 12.46  |

As of December 31, 2022 and December 31, 2021, the Company had \$157,000 and \$311,000 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.

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**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:

| <u>(Dollars in thousands)</u> | <u>2022</u>     | <u>2021</u>     |
|-------------------------------|-----------------|-----------------|
| Deposits                      | <u>\$ 1,763</u> | <u>\$ 1,960</u> |
| Loans:                        |                 |                 |
| Beginning Loan Balance        | \$ 301          | \$ 304          |
| New Loans                     | 166             | —               |
| Principal Advances            | 135             | 73              |
| Repayments                    | <u>(245)</u>    | <u>(76)</u>     |
| Ending Loan Balance           | <u>\$ 357</u>   | <u>\$ 301</u>   |

**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, 2022 and 2021, 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 2022, 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).

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 2021, 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 2021, 8.5% in 2022, and 9% thereafter. The Bank's actual CBLR and amount at December 31, 2022, and 2021 was as follows:

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|  | <u>Amount</u>          | <u>Ratio</u> |
|--|------------------------|--------------|
|  | (Dollars in thousands) |              |

**As of December 31, 2022**

|  |           |       |
|--|-----------|-------|
| CBLR and/or Tier 1 Capital (to Average Total Assets) | \$ 21,754 | 12.2% |
|--|-----------|-------|

|  | <u>Amount</u>          | <u>Ratio</u> |
|--|------------------------|--------------|
|  | (Dollars in thousands) |              |

**As of December 31, 2021**

|  |           |       |
|--|-----------|-------|
| 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, 2022 and 2021:

| <u>(Dollars in thousands)</u>   | <u>2022</u>              | <u>2021</u>            |
|---|--------------------------|------------------------|
| <b><u>Unrealized Gains (Losses) on Securities Available for Sale:</u></b> |                          |                        |
| Beginning Balance   | \$ (191)                 | \$ 54                  |
| Other Comprehensive Income (Loss) - Net of Tax                            | <u>(1,853)</u>           | <u>(245)</u>           |
| Ending Balance  | <u><u>\$ (2,044)</u></u> | <u><u>\$ (191)</u></u> |

**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).



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- 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, 2022 and 2021. The Bank did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

| (In thousands)<br>Description          | Fair<br>Value    | Fair Value Measurement Using   |   |  |
|--|------------------|--|---|--|
|  |                  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <u>December 31, 2022</u>               |                  |  |   |  |
| U.S. Government Agency - SBA pools     | \$ 725           | \$   | \$ 725  | \$   |
| U.S. Agency Mortgage-Backed Securities | 6,573            |  | 6,573   |  |
| U.S. Government Agency                 | 3,590            |  | 3,590   |  |
| Municipal Bonds                        | 5,032            |  | 5,032   |  |
| Total Investment Securities            | <u>\$ 15,920</u> | <u>\$ —</u>  | <u>\$ 15,920</u>  | <u>\$ —</u>  |
| <u>December 31, 2021</u>               |                  |  |   |  |
| 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            | <u>\$ 17,681</u> | <u>\$ —</u>  | <u>\$ 17,681</u>  | <u>\$ —</u>  |

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

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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                                   |   |   |
|--------------------------|---------------|--|---|---|
|                          | Fair Value    | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| (In thousands)           |               |  |   |   |
| <u>December 31, 2022</u> |               |  |   |   |
| Assets                   |               |  |   |   |
| Impaired Loans           | \$ 647        | \$ —   | \$ 647  | \$ —                                      |
| Repossessed Assets       | —             | —  | —   | —   |
| Total                    | <u>\$ 647</u> | <u>\$ —</u>  | <u>\$ 647</u>                                 | <u>\$ —</u>                               |
| <u>December 31, 2021</u> |               |  |   |   |
| Assets                   |               |  |   |   |
| Impaired Loans           | \$ 434        | \$ —   | \$ 434  | \$ —                                      |
| Repossessed Assets       | —             | —  | —   | —   |
| Total                    | <u>\$ 434</u> | <u>\$ —</u>  | <u>\$ 434</u>                                 | <u>\$ —</u>                               |

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.

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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:

| (In thousands)   | Carrying<br>Amount | Fair<br>Value     | Fair Value Measurement Using   |   |  |
|--|--------------------|-------------------|--|---|--|
|  |                    |                   | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| December 31, 2022                                      |                    |                   |  |   |  |
| Financial Assets:                                      |                    |                   |  |   |  |
| Cash, Short-Term Investments and<br>Federal Funds Sold | \$ 7,026           | \$ 7,026          | \$ 7,026   | \$ —  | \$ —   |
| Securities-Available for Sale                          | 15,920             | 15,920            | —  | 15,920  | —  |
| Securities-Held to Maturity                            | 8,588              | 7,680             | —  | 7,680   | —  |
| Other Equity Securities                                | 857                | 857               | —  | —   | 857  |
| Cash Value of Life Insurance                           | 2,312              | 2,312             | —  | 2,312   | —  |
| Loans Held for Sale                                    | —                  | —                 | —  | —   | —  |
| Loans Held -Net  | 135,510            | 132,883           | —  | —   | 132,883  |
|  | <u>\$ 170,213</u>  | <u>\$ 166,678</u> | <u>\$ 7,026</u>  | <u>\$ 25,912</u>  | <u>\$ 133,740</u>                                  |
| Financial Liabilities:                                 |                    |                   |  |   |  |
| Deposits   | \$ 136,119         | \$ 134,930        | \$ —   | \$ —  | \$ 134,930   |
| Borrowed Funds   | 21,612             | 21,484            | —  | 21,484  | —  |
|  | <u>\$ 157,731</u>  | <u>\$ 156,414</u> | <u>\$ —</u>  | <u>\$ 21,484</u>  | <u>\$ 134,930</u>                                  |

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| (In thousands)                   | Carrying<br>Amount | Fair<br>Value     | Fair Value Measurement Using   |   |  |
|----------------------------------|--------------------|-------------------|--|---|--|
|                                  |                    |                   | Quoted Prices in<br>Active Markets<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(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-Net                        | 102,582            | 108,667           | —  | —   | 108,667  |
|                                  | <u>\$ 144,568</u>  | <u>\$ 150,623</u> | <u>\$ 18,279</u>   | <u>\$ 22,831</u>  | <u>\$ 109,513</u>                                  |
| Financial Liabilities:           |                    |                   |  |   |  |
| Deposits                         | \$ 119,160         | \$ 119,850        | \$ —   | \$ —  | \$ 119,850   |
| Borrowed Funds                   | 10,468             | 10,514            | —  | 10,514  | —  |
|                                  | <u>\$ 129,628</u>  | <u>\$ 130,364</u> | <u>\$ —</u>  | <u>\$ 10,514</u>  | <u>\$ 119,850</u>                                  |

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**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, |           |
|--|--------------------|-----------|
|  | 2022               | 2021      |
| <b>Assets:</b>                               |                    |           |
| Cash   | \$ 813             | \$ 802    |
| Due from Subsidiary Bank                     | 37                 | —         |
| Investments in Bank Subsidiary               | 19,709             | 21,490    |
| Total Assets                                 | \$ 20,559          | \$ 22,292 |
| <b>Liabilities and Shareholders' Equity:</b> |                    |           |
| Liabilities                                  | \$ 71              | \$ 33     |
| Total Shareholders Equity                    | 20,488             | 22,259    |
| Total Liabilities and Shareholders' Equity   | \$ 20,559          | \$ 22,292 |

**CONDENSED STATEMENT OF OPERATIONS**

|   | Years Ended December 31, |          |
|---|--------------------------|----------|
|   | 2022                     | 2021     |
| <b>Income:</b>                            |                          |          |
| Equity in Net Income of Bank Subsidiary   | \$ 816                   | \$ 1,151 |
| Total Income                              | \$ 816                   | \$ 1,151 |
| <b>Expense:</b>                           |                          |          |
| Professional Fees                         | \$ 159                   | \$ 94    |
| Other Noninterest Expense                 | 81                       | 86       |
| Total Expense                             | \$ 240                   | \$ 180   |
| Income Before Income Tax Expense (Income) | \$ 576                   | \$ 971   |
| Provision for Income Tax                  | (50)                     | (38)     |
| <b>Net Income</b>                         | \$ 626                   | \$ 1,009 |

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**CONDENSED STATEMENT OF CASH FLOWS**

|   | <b>Years Ended December 31,</b> |                      |
|---|---------------------------------|----------------------|
|   | <b>2022</b>                     | <b>2021</b>          |
| Cash Flows From Operating Activities:               |                                 |                      |
| Net Income  | \$ 626                          | \$ 1,009             |
| Increase (Decrease) in Due from Bank Subsidiary     | (37)                            | 126                  |
| Increase in Equity in Net Income of Bank Subsidiary | 271                             | (1,076)              |
| Increase (Decrease) in other Liabilities            | 38                              | (13)                 |
| Net Cash provided by (used in) Operating Activities | <u>898</u>                      | <u>46</u>            |
| Cash Flows From Investing Activities:               |                                 |                      |
| Net Cash provided by (used in) Investing Activities | <u>—</u>                        | <u>—</u>             |
| Cash Flows From Financing Activities:               |                                 |                      |
| Shares Repurchased                                  | <u>(887)</u>                    | <u>(1,135)</u>       |
| Net Cash provided by (used in) Financing Activities | <u>(887)</u>                    | <u>(1,135)</u>       |
| Net Increase (Decrease) in Cash                     | 11                              | (1,089)              |
| Cash at Beginning of Period                         | <u>802</u>                      | <u>1,891</u>         |
| Cash at End of Period                               | <u><u>\$ 813</u></u>            | <u><u>\$ 802</u></u> |

## STOCKHOLDER INFORMATION

### Annual Meeting

The Annual Meeting of Shareholders will be held at 9:00 a.m., Central time, on Tuesday, May 16, 2023 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  
*Baton Rouge Office*  
2322 Tremont Drive  
Baton Rouge, Louisiana 70809

### Transfer Agent

American Stock Transfer & Trust Company, LLC  
6201 15<sup>th</sup> 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

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### Directors

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

W. Thomas Ballantine, Jr.  
*Director*  
*Retired*

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

Elizabeth M. Eustis  
*Director*  
*Commercial Real Estate Agent*

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

Julian J. Rodrigue, Jr.  
*Director*  
*Attorney*

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### 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*



205 North Columbia Street Covington, LA 70433

[www.heritagebank.org](http://www.heritagebank.org)