MBT BANCSHARES, INC. AND SUBSIDIARY

DECEMBER 31, 2023 AND 2022

METAIRIE, LOUISIANA

<u>TABLE OF CONTENTS</u>

Audited Financial Statements:

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Independent Auditor's Report

To the Stockholders and
Board of Directors
MBT Bancshares, Inc. and Subsidiary
Metairie, Louisiana

Opinion

We have audited the consolidated financial statements of MBT Bancshares, Inc. (a Corporation) and its Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' 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 MBT Bancshares, Inc. and its Subsidiary as of December 31, 2023 and 2022, 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 MBT Bancshares, 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, MBT Bancshares, Inc. and its Subsidiary, changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2023 due to the adoption of ASU 2016-13 (Topic 326), *Financial Instruments-Credit Losses*. Our opinion is not modified with respect to this matter.

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 MBT Bancshares, 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 MBT Bancshares, 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 MBT Bancshares, 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 25, 2024

MBT BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

ASSETS

(Dollars in thousands)	2023	2022
Cash and Due From Banks	$ 13,508	$ 34,680
Federal Funds Sold	4,750	2,900
Total Cash and Cash Equivalents	18,258	37,580
Interest Bearing Deposits with Other Banks	1,256	1,246
Securities Available for Sale	139,284	173,906
Loans	408,822	351,405
Allowance for Credit Losses on Loans	(4,214)	(3,831)
Net Loans	404,608	347,574
Bank Premises and Equipment, Net	12,595	12,624
Accrued Interest Receivable	2,235	2,239
Investment in FNBB Stock	250	250
Investment in FHLB of Dallas Stock	1,729	1,058
Other Investments	1,025	995
Cash Surrender Value of Life Insurance	2,862	2,947
Deferred Tax Asset	2,725	3,462
Other Assets	4,396	6,698
Total Assets	$ 591,223	$ 590,579

LIABILITIES

	2023	2022
Deposits:		
Non-Interest Bearing	$ 142,468	$ 172,008
Interest Bearing	351,040	363,267
Total Deposits	493,508	535,275
Short-term borrowings	34,500	-
Subordinated Debt Obligations	17,773	17,695
Accrued Interest Payable	389	85
Obligations Under Operating Leases	2,525	2,853
Other Liabilities	3,022	1,207
Total Liabilities	551,717	557,115

STOCKHOLDERS' EQUITY

	2023	2022
Common Stock - $1 Par Value, 2,100,000 Shares Authorized 2,043,543 Issued and Outstanding	$ 2,044	$ 2,044
Capital Surplus	9,956	9,956
Retained Earnings	38,346	35,235
Accumulated Other Comprehensive Loss	(10,840)	(13,771)
Total Stockholders' Equity	39,506	33,464
Total Liabilities and Stockholders' Equity	$ 591,223	$ 590,579

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

MBT BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Dollars in thousands, except per share amounts)	2023	2022
Interest Income:		
Interest and Fees on Loans	$ 19,564	$ 14,955
Interest and Dividends on Securities-Taxable	3,160	2,710
Interest and Dividends on Securities-Non-taxable	445	443
Interest on Interest Bearing Deposits and Federal Funds Sold	684	1,439
Total Interest Income	23,853	19,547
Interest Expense:		
Interest Expense on Deposits	1,789	628
Interest on Borrowings	1,557	864
Total Interest Expense	3,346	1,492
Net Interest Income	20,507	18,055
Provision for Credit Losses	698	1,038
Net Interest Income after Provision for Credit Losses	19,809	17,017
Noninterest Income:		
Customer Service Fees	2,731	2,690
Gain on Sale of Loans	126	253
Gain (Loss) on Sale of Securities Available-for-Sale	10	-
Other	600	622
Total Noninterest Income	3,467	3,565
Noninterest Expense:		
Salaries and Employee Benefits	9,044	8,612
Occupancy Expense	2,512	2,508
Other Operating Expenses	5,145	5,178
Total Noninterest Expense	16,701	16,298
Income Before Income Taxes	6,575	4,284
Provision for Income Taxes	1,310	786
Net Income	$ 5,265	$ 3,498
Earnings Per Share	**$ 2.58**	**$ 1.71**

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

MBT BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Dollars in thousands)	2023	2022
Net Income	$ 5,265	$ 3,498
Other Comprehensive Income (Loss):		
Unrealized Gains (Losses) on Investment Securities	2,652	(16,045)
Income Tax Effect	(557)	3,369
	2,095	(12,676)
Reclassification Adjustment for Realized Gains on Sales	(10)	-
Income Tax Effect	2	-
	(8)	-
Unrecognized Pension Plan Gains (Losses)	1,069	297
Income Tax Effect	(225)	(62)
	844	235
Total Other Comprehensive Income (Loss), Net of Taxes	2,931	(12,441)
Comprehensive Income (Loss)	$ 8,196	$ (8,943)

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

MBT BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Dollars in thousands, except per share amounts)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2021	$ 2,044	$ 9,956	$ 33,780	$ (1,330)	$ 44,450
Net Income	-	-	3,498	-	3,498
Other Comprehensive Income (Loss)	-	-	-	(12,441)	(12,441)
Cash Dividends ($1.00 Per Share)	-	-	(2,044)	-	(2,044)
Balance, December 31, 2022	2,044	9,956	35,235	(13,771)	33,464
Adjustment to reflect adoption of ASU 2016-13	-	-	(110)	-	(110)
Beginning balance, as adjusted	2,044	9,956	35,125	(13,771)	33,354
Net Income	-	-	5,265	-	5,265
Other Comprehensive Income	-	-	-	2,931	2,931
Cash Dividends ($1.00 Per Share)	-	-	(2,044)	-	(2,044)
Balance, December 31, 2023	$ 2,044	$ 9,956	$ 38,346	$ (10,840)	$ 39,506

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

MBT BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Dollars in thousands)	2023	2022
Cash Flows From Operating Activities:		
Net Income	$ 5,265	$ 3,498
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net Amortization on Securities Available-for-Sale	445	687
Net (Gain) Loss on Sale of Securities Available-for-Sale	(10)	-
Net (Gain) Loss on Sale of Bank Premises and Equipment	-	(20)
Provision for Credit Losses	698	1,038
Provision (Benefit) for Deferred Income Taxes	(13)	(41)
Depreciation and Amortization	619	669
Proceeds from Sale of Mortgage Loans Held for Sale	4,908	13,939
Origination of Mortgage Loans Held for Sale	(4,782)	(13,260)
Gain on Sale of Mortgage Loans Held for Sale	(126)	(253)
Stock Dividend on FHLB of Dallas Stock	(53)	(3)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable	4	(370)
(Increase) Decrease in Cash Surrender Value of Life Insurance	85	(46)
(Increase) Decrease in Other Assets	3,311	(5,627)
Increase (Decrease) in Accrued Interest Payable	304	46
Increase (Decrease) in Other Liabilities	1,893	83
Net Cash Provided by Operating Activities	12,548	340
Cash Flows From Investing Activities:		
Purchases of Securities Available-for-Sale	(5,991)	(95,761)
Proceeds from Sales of Securities Available-for-Sale	4,004	-
Proceeds from Maturities, Calls and Paydowns of Securities Available-for-Sale	38,816	19,191
Purchase of Interest Bearing Deposits in Other Financial Institutions	(10)	(3)
Proceeds from Maturities of Interest Bearing Deposits in Other Financial Institutions	-	245
Purchase of FHLB of Dallas Stock	(618)	(6)
Net (Increase) Decrease in Loans	(57,841)	(60,348)
Proceeds from the Sale of Premises and Equipment	-	20
Purchases of Premises and Equipment	(919)	(1,330)
Net Cash (Used in) Provided by Investing Activities	(22,559)	(137,992)

(CONTINUED)

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Dollars in thousands)	2023	2022
Cash Flows From Financing Activities:		
Net (Decrease) Increase in Advances from FHLB of Dallas	34,500	-
Net Increase (Decrease) in Deposits	(41,767)	(10,394)
Dividends Declared	(2,044)	(2,044)
Net Cash (Used in) Provided by Financing Activities	(9,311)	(12,438)
Net Decrease in Cash and Cash Equivalents	(19,322)	(150,090)
Cash and Cash Equivalents - Beginning of Year	37,580	187,670
Cash and Cash Equivalents - End of Year	$ 18,258	$ 37,580
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for:		
Interest on Deposits	$ 1,653	$ 635
Interest on Borrowings	$ 1,389	$ 811
Income Taxes	$ 1,268	$ 643
Supplemental Schedule of Noncash Investing Activities:		
Change in Unrealized Gain (Loss) on Securities Available-for-Sale	$ 2,652	$ (16,045)
Change in Deferred Tax Effect on the Unrealized Gain (Loss) on Securities Available-for-Sale	$ 557	$ (3,369)
Change in Retained Earnings from the Adoption of ASU 2016-13	$ (110)	$ -

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

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

On September 29, 2017, MBT Bancshares, Inc. (the "Company") was incorporated as a Louisiana corporation to facilitate the reorganization of Metairie Bank and Trust Company (the "Bank") into a holding company structure by means of a statutory share exchange in accordance with Section 1-1101 *et seq*. of the Louisiana Business Corporation Act and Section 352.1 of the Louisiana Banking Law. As a result of the share exchange, the Company acquired all of the issued and outstanding shares of the Bank as of March 29, 2018 in exchange for all of the issued and outstanding shares of the Company, thereby becoming a registered bank holding company under the Bank Holding Company Act of 1956, as amended, with respect to the Bank.

MBT Bancshares, Inc. (OTCIQ – MBKL) operates pursuant to section 3(a)(1) of the Bank Holding Company Act.

Metairie Bank and Trust Company operates under a state bank charter and provides full banking services. The Bank is subject to regulation of the Federal Deposit Insurance Corporation and the Office of Financial Institutions of the State of Louisiana. The Bank serves the immediate and surrounding geographic areas from its various offices located in Metairie, Mandeville, and Covington, Louisiana, and generates commercial, mortgage and consumer loans to and receives deposits from individual and business customers located in these and surrounding areas. In addition, the Bank operates a full-service insurance agency, MB Insurance, and an investment advisory firm, MB Investments.

The Bank's loan portfolio consists mainly of permanent and construction mortgage loans collateralized by residential and commercial real estate. These loans are structured as traditional closed-end mortgage loans, as well as revolving lines of credit. The loans are expected to be repaid from cash flows of the borrowers. Some of the economic activities of the Louisiana region in which the Bank operates is dependent upon the petrochemical industry, port activity along that region of the Mississippi River, healthcare and tourism. Significant declines in these activities and the general economic conditions in the Bank's market areas could affect borrowers' abilities to repay loans and cause a decline in value of the assets securing the loan portfolio.

The Bank's operations are subject to customary business risks associated with activities of a financial institution. Some of those risks include competition from other institutions and changes in economic conditions, interest rates and regulatory requirements.

Principles of Consolidation

The consolidated financials include MBT Bancshares, Inc. and its wholly owned subsidiary, the Bank, together referred to as the Company. Intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates~~,~~ and such differences may be material. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The accounting and reporting policies of the Bank are in accordance with U.S. generally accepted accounting principles and conform to general practices within the banking industry. The more significant principles used in preparation of the consolidated financial statements are described below:

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks, interest bearing deposits with maturities of less than 90 days, and federal funds sold.

Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates this classification periodically. Trading account securities are held for resale in anticipation of short-term market movements. Debt securities are classified as held to maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities not classified as held to maturity or trading are classified as available for sale.

Trading account securities are carried at market value. Gains and losses, both realized and unrealized, are reflected in earnings. Held to maturity securities are stated at amortized cost. Available for sale securities are stated at fair value, with unrealized gains and losses, net of tax, reported in a separate component of other comprehensive income.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. Amortization, accretion and accrued interest are included in interest income on securities.

Both realized gains and losses are included in net securities gains and losses on the Company's consolidated statement of comprehensive income. The cost of securities sold is determined based on the specific identification method.

For available for sale securities, management evaluates all investments in an unrealized loss position at least annually, or when economic or market conditions warrant such an evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to its fair value and the entire loss is recorded in the Company's consolidated statement of income. If these criteria are not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making that assessment, management considers performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, and the failure of the issuer to make scheduled interest or principal payments, as well as any other adverse conditions specifically related to the security. If management's assessment concludes that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security, with an allowance for credit losses established for any credit losses through a provision for credit loss expense. Losses are charged against the allowance for credit loss when management believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. Subsequent improvements in estimated credit losses result in a reduction of the credit allowance, but not beyond zero. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income. Accrued interest receivable on available for sale debt securities totaled $681,000 as of December 31, 2023 and was excluded from the estimate of credit losses. At December 31, 2023, there was no allowance for credit loss related to the available for sale portfolio.

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 the 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.

Loans

The Bank grants mortgage, commercial and consumer loans to customers. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their amortized cost, which is their outstanding unpaid principal balances, as adjusted for unearned income, any unamortized deferred fees or costs on originated loans, premiums or discounts on purchased loans, and an allowance for credit losses. Unearned income relates primarily to consumer installment loans. Accrued interest receivable related to loans totaled $1,549,000 at December 31, 2023 and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance of these loans and is recognized using the interest method over the life of the loan. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments or are recognized in income as collected, which does not result in a material difference from deferring and amortizing those fees.

Loans are placed on nonaccrual status when the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases if full collection of principal and interest is at risk, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. Loans may be reinstated to accrual status if (1) all contractual principal and interest due on the loan is paid, (2) the loan has sustained performance in accordance with the contractual terms of the loan agreement, which is generally demonstrated by a period of consecutive payments, (3) all prior charge-offs have been recovered, and (4) no reasonable doubt remains regarding the willingness and ability of the borrower to perform in accordance with the contractual terms of the loan agreement.

Past due status is based on contractual terms of the loan. Loans are charged off as a reduction in the allowance for credit losses on loans when the loan is deemed to be uncollectible.

If the decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan. When a loan is placed on nonaccrual, interest accrued during the current year prior to the judgment of uncollectability is charged to operations. Interest accrued during prior periods is recorded as a reduction to the allowance for credit losses on loans. Generally, any payments received on nonaccrual loans are applied first to outstanding loan balances and then to the recovery of charged-off loan amounts. Any additional amount is then treated as recovery of lost interest.

Interest payments received on collateral-dependant and impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as a reduction of principal. Changes in the present value due to the passage of time are recorded as interest income, while changes in estimated cash flows are recorded in the provision for credit losses on loans.

Allowance for Credit Losses

The nature of the process by which the Company determines the appropriate allowance for credit losses (“ACL”) requires the exercise of considerable judgment. See Note 3 - Loans for a discussion of the Company’s ACL methodology and a description of the model utilized in the estimation process. The discussion herein reflects periods before and after the implementation of a change in the credit loss estimation process that was effective January 1, 2023.

Future adjustments to the ACL may be necessary if economic or other conditions differ substantially from the assumptions used in making the estimates or, if required by regulators, based upon information at the time of their examinations or upon future regulatory guidance. Such adjustments to original estimates, as necessary, are made in the period in which these factors and other relevant considerations indicate that loss levels vary from previous estimates.

Subsequent to 2022

Management's estimate of expected credit losses in the loan and lease portfolio is recorded in the allowance for credit losses on loans (“ALL”) and the reserve for unfunded lending commitments (“RULC”), collectively the ACL. The ACL is maintained at a level that management determines is sufficient to absorb current expected credit losses in the loan portfolio and unfunded lending commitments. Management uses an analytical model to estimate expected credit losses in the loan portfolio and unfunded lending commitments as of the balance sheet date. The model is carefully reviewed to identify trends that may not be captured in the modeled loss estimates. Management uses qualitative adjustments for those items not reflected in the modeled loss information such as recent changes from the macroeconomic forecasts utilized in model calculations, observed and/or expected changes affecting borrowers in specific industries, exposure to large lending relationships and expected recoveries of prior charge offs. Qualitative adjustments are also used to accommodate for the imprecision of certain assumptions and uncertainties inherent in the model calculations.

Adjustment to the ACL is through current period earnings. The ACL is generally increased by a provision for credit losses and is decreased by loan charge-offs. Subsequent recoveries also increase the ALL. The ALL is determined in accordance with ASC 326-20 "Financial Instruments - Credit Losses". Credit loss estimation is based on the amortized cost of loans, which includes a loan's unpaid principal balance, accrued interest, accretion or amortization of premium, discount, and net deferred fees or costs, collection of cash, and charge-offs.

Under the current expected credit loss methodology, a loan must be pooled when it shares similar risk characteristics with other loans. Loans that do not share similar risk characteristics are evaluated individually.

The Bank has identified loan portfolio segments which generally correspond to their call report classifications and calculates the allowance for credit losses for each segment. The major loan portfolio segments for the Bank and their related risk characteristics are as follows:

- Residential real estate loans consist of loans secured by 1-4 family residential properties, primarily to finance a primary residence or provide a revolving, open-end line of credit. The vast majority of the residential real estate portfolio is comprised of 1-4 family mortgage loans secured by properties located in the Bank's market areas and originated under terms and documentation that permit their sale in the secondary market.

- Commercial real estate loans include loans secured by nonresidential properties to commercial customers. These loans are repaid through revenues from operations of the businesses, rents of properties, sales of properties, or refinancing.

- Commercial and industrial loans represent loans to commercial customers to finance general working capital needs, equipment purchases and other projects where repayment is derived from cash flows resulting from business operations. The Bank originates commercial and industrial loans on both a secured and, to a lesser extent, unsecured basis.

- Consumer loans are offered by the Bank to provide a full range of retail financial services to its customers and include home equity, credit card and other direct consumer installment loans. The Bank originates substantially all of its consumer loans in its primary market areas. Consumer loans are sensitive to unemployment and other key consumer economic measures.

- Construction and land development loans represent loans to customers to fund residential or commercial construction, including developers of single-family or multifamily properties, to finance vacant land purchases, or the acquisition and improvement of developed and underdeveloped property.

Expected credit loss is estimated for the remaining life of loans, which is limited to the remaining contractual term, adjusted for prepayment estimates, which are included as separate inputs into modeled loss estimates. Renewals and extensions are not anticipated unless they are included in existing loan documentation and are not unconditionally cancellable by the lender.

Management has developed a current expected credit loss model which segments the loan portfolio by loan type to estimate expected lifetime expected credit losses for loans that share similar risk characteristics. Estimates of expected credit losses incorporate consideration of available information that is relevant to assessing the collectability of future cash flows, including information relating to past events, current conditions, and reasonable and supportable forecasts of future conditions. Internal and external historical loss information, as applicable, for all available historical periods is the initial point for estimating expected credit losses. Given the duration of historical information available, management considers its internal loss history to fully incorporate the effects of prior credit cycles. Historical loss information may be adjusted in situations where current loan characteristics, such as underwriting criteria, differ from those in existence at the time the historical losses occurred. Historical loss information is also adjusted for differences in economic conditions, macroeconomic forecasts and other factors management considers relevant over a period extending beyond the measurement date which is considered reasonable and supportable.

Since current accounting guidance requires the estimation of credit losses for the entire expected life of loans, loss estimates are highly sensitive to changes in macroeconomic forecasts, especially when those forecasts change dramatically in short time periods. Additionally, under the current expected credit loss methodology, credit loss estimates are more likely to increase rapidly in periods of loan growth.

Expected credit losses for unfunded commitments are estimated for periods where the commitment is not unconditionally cancellable by the Company. The measurement of expected credit losses for unfunded commitments mirrors that of loans with the additional estimate of future draw rates (timing and amount). The liability for credit losses inherent in lending-related commitments, such as letters of credit and unfunded loan commitments, is included in Other Liabilities on the Consolidated Balance Sheets and adjusted through a charge to the provision for credit losses.

The ACL is based on management's estimate of probable credit losses inherent in the loan portfolio and represents an estimate in the financial statements. As such, the actual level of allowance required could vary from the amount estimated by management at the balance sheet date and actual credit losses could vary from the current estimate. The ACL considers observable trends in delinquencies and nonaccrual loans, loan concentrations, the volatility of risk ratings, and the evolving portfolio mix in terms of collateral, relative loan size, and the degree of seasoning within the various loan products. Changes in underwriting standards, credit administration and collection policies, regulation and other factors which affect the credit quality and collectability of the loan portfolio may also impact the allowance for credit losses.

Prior to 2023

A loan was considered impaired, in accordance with the impairment accounting guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 310-10-35-16, Receivables, when based on current information and events, it was probable that the Bank would be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Management considered various factors in its determination of impairment, including payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experienced insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment history, and the amount of shortfall in relation to the principal and interest owed. Impairment was measured on a loan by loan basis by either (1) the present value of expected cash flows, discounted at the loan's effective interest rate, (2) the fair value of the collateral if the loan is collateral-dependent, or (3) the loan's observable market price, if available. When the measure of the impaired loan was less than the recorded investment in the loan, the impairment was recorded as a reduction in the allowance for credit losses on loans. The Bank's impaired loans generally included its nonperforming troubled debt restructurings and loans in which full payment of principal or interest was not expected.

The allowance for credit losses on loans was maintained at a level that was considered adequate to reflect estimated probable credit losses inherent in the loan portfolio that had been incurred as of the balance sheet date as well as estimated credit losses associated with specifically identified loans. Calculation of the allowance for credit losses on loans was prepared periodically to assess the risk of loss in the loan portfolio and to determine the adequacy of the ALL. For purposes of the calculation and review, loans were aggregated into pools based on various characteristics, including but not limited to collateral type and payment status. The allowance allocated to each of these pools was based on historical charge-off rates, adjusted for changes in the credit risk characteristics within these pools, as determined from current information and analyses.

In addition to non-impaired loans assessed on a pooled basis, the allowance also included amounts provided for each loan that was reviewed for impairment or for which a probable loss had been identified. The allowance related to loans that were identified as impaired was based on discounted expected future cash flows (using the loan's initial effective interest rate), the observable market value of the loan, or the estimated fair value of the collateral for certain collateral-dependent loans. Factors contributing to the determination of specific allowances included the financial condition of the borrower, changes in the value of pledged collateral, and general economic conditions.

The ALL also reflected macroeconomic conditions and industry exposure at the balance sheet date. Because the ALL incorporated management judgment and estimates, qualitative adjustments were also used to accommodate for the imprecision of certain estimates and uncertainties inherent in the calculation. These qualitative adjustments were included to provide for probable losses incurred but unidentified within the loan portfolio as of the balance sheet date and not to provide for possible or future losses beyond the balance sheet date. These adjustments generally served to compensate for the uncertainty in estimating loan losses, particularly in times of changing economic conditions, as well as the possibility of improper risk or loss assessment and the resulting effect on allowances on specifically-identified impaired loans.

<u>Bank Premises and Equipment</u>

Bank premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method for all assets over their estimated useful lives. Estimated useful life of the Bank's bank premises is 39 years, ranges from 3 to 7 years for equipment, furniture and fixtures, and is based on the length of the lease for leasehold improvements.

Leases

The Company follows Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842).* This guidance requires that right-of-use ("ROU") assets and lease liabilities be recorded on the balance sheet. In the year of adoption, the Company elected the practical expedient relief package allowed by the 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 use of the portfolio approach in determination of the discount rate, and accounting for non-lease components in a contract as part of a single lease component for all asset classes.

The Company determines if an arrangement contains a lease at inception. Leases are then classified as either operating or finance leases depending on the characteristics of the lease. ROU assets represent the Company's right to control the use of a specified asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The ROU asset may also include certain initial direct cost and lease payments made to the lessor at or before lease commencement. In determining the present value of the lease payments, the Company uses the risk-free discount rate when the discount rate is not implicit in the lease. Lease payments include fixed and variable payments based on an index or a rate. Variable lease payments that are not index or rate based are recorded as expenses when incurred. The lease term is the non-cancelable period of the lease, including any options to extend, purchase, or terminate the lease depending on whether the Company is reasonably certain to exercise those options.

The costs associated with operating leases are recognized on a straight-line basis, within operating expenses, over the period of the leases. The finance lease ROU assets are amortized on a straight-line basis within, operating expenses, over the shorter of their estimated useful lives or the lease terms, and interest expense incurred on the lease liabilities is included in interest expense.

The Company does not recognize ROU assets and lease liabilities on short term leases but recognizes lease expense for these leases on a straight-line basis over the lease terms and any variable lease payments in the period in which the obligation for those payments is incurred.

See Note 13 to these financial statements for additional information and disclosures related to operating leases, including qualitative and quantitative disclosures required by Topic 842. The Company had no finance leases as of December 31, 2023 and 2022.

Foreclosed Assets

Properties acquired through foreclosure or deed taken in lieu of foreclosure are recorded at fair value at the time of foreclosure, net of disposal costs. Write-downs from cost to fair value at the time of foreclosure are charged as a reduction in the allowance for credit losses on loans. Subsequent write-downs and gains and losses recognized on the sales of such properties are included in the consolidated statement of comprehensive income. Determinations of fair value are based on periodic appraisals, which are subject to fluctuations as economic conditions change.

Investments in Membership Stocks

The Bank maintains investments in membership stocks of First National Bankers' Bank (FNBB) and the Federal Home Loan Bank (FHLB) of Dallas. The carrying amounts of these investments are stated at cost.

Income Taxes

The Company accounts for income taxes in accordance with the income tax guidance in FASB ASC 740, including accounting guidance related to accounting for uncertainty in income taxes, which sets forth a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. ASC 740 establishes two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of enacted tax law to taxable income or excess 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 difference between the book and tax bases of assets and liabilities. 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, and the terms “examined” and “upon examination” include resolution of the related appeals or litigation processes, if any. A tax position that meets the “more likely than not” recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the “more likely than not” recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. 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 Company evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2023 and 2022, the Bank does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

The Company files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Bank is no longer subject to federal tax examinations by the federal tax authorities for years before 2020. The Bank recognizes interest and penalties on income taxes, if incurred, as a component of income tax expense in its consolidated statement of comprehensive income.

The Company is not currently subject to state or local income taxes. Rather, the Bank is subject to the Louisiana Shares Tax which is an ad valorem tax imposed on the assessed value of the Bank’s stock.

Recognition of Revenue from Contracts with Customers

Noninterest 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.

Comprehensive Income

The Bank reports comprehensive income in accordance with the accounting guidance related to FASB ASC 220, Comprehensive Income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes (1) net unrealized gains and losses on securities and (2) net unrecognized pension plan gains and losses and is presented in the consolidated statements of stockholders' equity and comprehensive income.

Statements of Cash Flows

The statement of cash flows was prepared in accordance with the accounting guidance of FASB ASC 230, Statements of Cash Flows, which permits certain financial institutions to report, in a statement of cash flows, net receipts and payments for deposits placed, time deposits accepted and repaid, and loans made and collected.

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.

Advertising

The Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was approximately $704,000 and $624,000 for the years ended December 31, 2023 and 2022, respectively, and is included in other operating expenses.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the presentation in the current year financial statements. Such reclassifications had no effect on previously reported net income.

Adoption of ASU 2016-13 and ASU 2022-02

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. 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 lifetime expected credit loss is estimated using historical experience, current conditions, and reasonable and supportable forecasts and applies to assets measured at amortized cost, including loans and held-to-maturity debt securities, as well as some off-balance sheet credit exposures, including unfunded commitments to extend credit. The CECL model is expected to result in more timely recognition of credit losses and replaces the incurred loss methodology previously used. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans, and available-for-sale debt securities.

The Company adopted ASC 326 and all related subsequent amendments thereto using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment upon adoption included a $176,000 decrease in the allowance for credit losses on loans, which is presented as a reduction to net loans outstanding, and a $315,000 increase in the reserve for unfunded lending commitments, which is included in Other Liabilities. The Bank recorded a $110,000 net decrease to retained earnings as of January 1, 2023 for the cumulative effect of the CECL adoption, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after January 1, 2023 are presented under CECL, while prior period amounts continue to be reported in accordance with the incurred loss accounting standards.

On January 1, 2023, the Company also adopted ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which eliminates current troubled debt restructuring ("TDR") recognition and measurement guidance and requires the Bank to evaluate whether a loan modification represents a new loan or a continuation of an existing loan. In addition, ASU 2022-02 enhances TDR disclosure requirements and expands disclosures related to modifications made to borrowers experiencing financial difficulty, as well as requiring the Bank to disclose gross charge-offs of loans by origination year.

As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities, and as a result, upon the adoption of ASC 326, the Company determined that an allowance for credit losses on available for sale securities was not material.

Note 2 - Investment Securities

At December 31, 2023 and 2022 the Company had no securities classified as trading or held to maturity.

A summary of investment securities classified as available for sale is presented below (in thousands).

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 60,899	$ 46	$ (2,486)	$ 58,459
Mortgage Backed Securities	51,065	-	(5,006)	46,059
Securities Issued by States and Political Subdivisions in the U. S.	27,236	16	(2,940)	24,312
Corporate Bonds	12,750	-	(2,296)	10,454
Total	**$ 151,950**	**$ 62**	**$ (12,728)**	**$ 139,284**

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 83,901	$ -	$ (4,280)	$ 79,621
Mortgage Backed Securities	60,857	-	(5,887)	54,970
Securities Issued by States and Political Subdivisions in the U. S.	31,706	18	(3,702)	28,022
Corporate Bonds	12,750	-	(1,457)	11,293
Total	**$ 189,214**	**$ 18**	**$ (15,326)**	**$ 173,906**

Gross unrealized losses in investment securities at December 31, 2023 and 2022 existing for continuous periods of less than 12 months and for continuous periods of 12 months or more are as follows (in thousands):

	December 31, 2023					
	Less Than 12 Months		12 Months or More		Totals	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Available for Sale:						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ -	$ -	$ 52,411	$ (2,486)	$ 52,411	$ (2,486)
Mortgage Backed Securities	10	-	46,059	(5,006)	46,069	(5,006)
Securities Issued by States and Political Subdivisions in the U. S.	2,938	(166)	20,689	(2,774)	23,627	(2,940)
Corporate Bonds	671	(328)	9,032	(1,968)	9,703	(2,296)
Total	**$ 3,619**	**$ (494)**	**$ 128,191**	**$ (12,234)**	**$ 131,810**	**$ (12,728)**

	December 31, 2022					
	Less Than 12 Months		12 Months or More		Totals	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Available for Sale:						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 56,393	$ (1,573)	$ 19,235	$ (2,707)	$ 75,628	$ (4,280)
Mortgage Backed Securities	17,243	(1,011)	37,603	(4,876)	54,846	(5,887)
Securities Issued by States and Political Subdivisions in the U. S.	15,238	(608)	12,096	(3,094)	27,334	(3,702)
Corporate Bonds	3,510	(490)	6,033	(967)	9,543	(1,457)
Total	**$ 92,384**	**$ (3,682)**	**$ 74,967**	**$ (11,644)**	**$ 167,351**	**$ (15,326)**

Management has evaluated all its securities that were in unrealized loss positions in accordance with its accounting policy for recognition of credit losses. As part of its evaluation, consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2023, these unrealized losses related principally to current interest rates for similar types of securities. Based on management's evaluation, no provision for credit losses on any investments occurred during the years ended December 31, 2023 or 2022.

The carrying value and estimated fair value of securities at December 31, 2023, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Amounts Maturing in:		
One Year or Less	$ 20,969	$ 20,629
After One Year through Five Years	49,133	45,373
After Five Years through Fifteen Years	80,155	71,776
Over Fifteen Years	1,693	1,506
Total	**$ 151,950**	**$ 139,284**

Estimated fair values for securities are determined from quoted prices or quoted market prices of similar securities of comparable risk and maturity where no quoted market price exists. Management does not anticipate a requirement to sell any of the Bank's investment securities for liquidity or other operating purposes.

Realized gains or losses on the sale of available-for-sale securities are calculated using specific identification of the security sold. Realized gains on the sale of investments totaled $10,000 for the year ended December 31, 2023. For the year ended December 31, 2022, there were no realized gains and no realized losses from the sales and calls of securities. Investment securities with amortized costs of approximately $2,338,000 and $2,765,000 and estimated market values of $2,190,000 and $2,568,000 at December 31, 2023 and 2022, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

Note 3 - Loans

The loan portfolio consists of loans classified by major types at December 31, 2023 and 2022 as follows (in thousands):

	2023	2022
Real Estate Loans:		
Residential	$ 175,702	$ 142,625
Non-Residential	173,773	159,659
Commercial Loans	25,556	23,869
Consumer and Credit Cards	4,126	3,682
Construction and Land Development	29,665	21,570
Total Loans	**408,822**	**351,405**
Allowance for Loan Losses	(4,214)	(3,831)
Total Loans, Net of Allowance for Loan Losses	**$ 404,608**	**$ 347,574**

Unamortized deferred fees totaled approximately $93,000 and $1,000 at December 31, 2023 and 2022, respectively, and are included in total loans in the table above. There were no loans held for sale at December 31, 2023 or 2022.

Related Party Loans

The Bank has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

An analysis of the aggregate of these loans at December 31, 2023 and 2022 is as follows (in thousands):

	2023	2022
Balance, January 1	$ 1,000	$ 1,721
Advances	4,515	1,000
Change in Director	655	(155)
Payments	(1,000)	(1,566)
Balance, December 31	$ 5,170	$ 1,000

Credit Quality Indicators

Management disaggregates the loan portfolio segments into classes of loans, which are based on the initial measurement of the loan, risk characteristics of the loan and the method for monitoring and assessing the credit risk of the loan, which are reviewed and reassessed periodically. Loans rated Substandard have potential weaknesses, such as recurring delinquencies and/or insufficient collateral or sources of repayment to meet current debt requirements that indicate a distinct possibility the Bank will sustain some loss if these deficiencies are not corrected. Doubtful loans have the same weaknesses, with the added characteristic that the probability of loss is high and collection of the full amount is improbable. Loans rated Loss are considered uncollectible and of such little value that their continuance as a Bank asset is not warranted.

The following tables provide loans by credit quality indicator (risk rating) as of December 31, 2023 and 2022, disaggregated by class of loan (in thousands):

2023	Unclassified *	Substandard	Doubtful	Loss	Total
Real Estate Loans:					
Residential	$ 173,786	$ 1,917	$ -	$ -	$ 175,702
Non-Residential	173,773	-	-	-	173,773
Commercial Loans	25,556	-	-	-	25,556
Consumer and Credit Cards	4,126	-	-	-	4,126
Construction and Land Development	29,665	-	-	-	29,665
Total	**$ 406,905**	**$ 1,917**	**$ -**	**$ -**	**$ 408,822**

2022	Unclassified *	Substandard	Doubtful	Loss	Total
Real Estate Loans:					
Residential	$ 137,615	$ 5,010	$ -	$ -	$ 142,625
Non-Residential	159,159	500	-	-	159,659
Commercial Loans	23,641	228	-	-	23,869
Consumer and Credit Cards	3,679	-	3	-	3,682
Construction and Land Development	21,275	295	-	-	21,570
Total	**$ 345,369**	**$ 6,033**	**$ 3**	**$ -**	**$ 351,405**

* Includes Pass, Watch, and Special Mention loans.

The following table provides additional information on loans by year of origination and credit quality indicator as of December 31, 2023:

Real Estate - Residential

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Credit Quality Indicator:									
Pass	$ 19,172	$ 10,295	$ 10,768	$ 7,566	$ 5,117	$ 23,240	$ 9,909	$ 85	$ 86,153
Watch	20,714	28,865	14,945	9,126	2,718	3,643	5,287	-	85,298
Special Mention	161	1,845	-	-	-	-	328	-	2,334
Substandard, Doubtful, or Loss	-	-	-	43	-	1,759	115	-	1,917
Total	**$ 40,047**	**$ 41,005**	**$ 25,713**	**$ 16,735**	**$ 7,835**	**$ 28,642**	**$ 15,640**	**$ 85**	**$175,702**

Real Estate - Non-Residential

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Credit Quality Indicator:									
Pass	$ 10,836	$ 21,626	$ 16,152	$ 7,697	$ 2,249	$ 3,378	$ 2,617	$ -	$ 64,555
Watch	8,637	39,987	17,844	17,294	8,656	3,763	1,755		97,936
Special Mention	800	8,588	-	1,819	-	-	75	-	11,282
Substandard, Doubtful, or Loss	-	-	-	-	-		-	-	-
Total	**$ 20,273**	**$ 70,201**	**$ 33,996**	**$ 26,810**	**$ 10,905**	**$ 7,141**	**$ 4,447**	**$ -**	**$173,773**

Commercial

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Credit Quality Indicator:									
Pass	$ 935	$ 5,292	$ 883	$ 236	$ 180	$ 1,150	$ 4,551	$ -	$ 13,227
Watch	3,260	2,658	2,760	1,046	731	569	1,239	-	12,263
Special Mention	-	-	-	-	-	-	66	-	66
Substandard, Doubtful, or Loss	-	-	-	-	-	-	-	-	-
Total	**$ 4,195**	**$ 7,950**	**$ 3,643**	**$ 1,282**	**$ 911**	**$ 1,719**	**$ 5,856**	**$ -**	**$ 25,556**

Consumer and Credit Cards

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Credit Quality Indicator:									
Pass	$ 1,411	$ 445	$ 234	$ 180	$ 12	$ 655	$ 691	$ -	$ 3,628
Watch	215	175	24	-	-	70	14	-	498
Special Mention	-	-	-	-	-	-	-	-	-
Substandard, Doubtful, or Loss	-	-	-	-	-	-	-	-	-
Total	**$ 1,626**	**$ 620**	**$ 258**	**$ 180**	**$ 12**	**$ 725**	**$ 705**	**$ -**	**$ 4,126**

Construction and Land Development

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Credit Quality Indicator:									
Pass	$ 1,040	$ 161	$ 43	$ 4	$ 147	$ -	$ 7,450	$ -	$ 8,845
Watch	1,038	2,061	411	-	-	150	16,662	-	20,322
Special Mention	-	-	-	-	-	-	498	-	498
Substandard, Doubtful, or Loss	-	-	-	-	-	-	-	-	-
Total	**$ 2,078**	**$ 2,222**	**$ 454**	**$ 4**	**$ 147**	**$ 150**	**$ 24,610**	**$ -**	**$ 29,665**

The following table reflects certain information with respect to the loan portfolio delinquencies by loan class and amount as of December 31, 2023 and 2022 (in thousands):

	Accruing Loans					Nonaccrual Loans					
2023	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Nonaccrual	Total Loans
Real Estate Loans:											
Residential	$ 172,547	$ 942	$ 45	$ 6	$ 993	$ 29	$ -	$ 68	$ 2,065	$ 2,162	$ 175,702
Non-Residential	173,773	-	-	-	-	-	-	-	-	-	173,773
Commercial Loans	25,538	18	-	-	18	-	-	-	-	-	25,556
Consumer and Credit Cards	4,087	13	16	10	39	-	-	-	-	-	4,126
Construction and Land Development	29,665	-	-	-	-	-	-	-	-	-	29,665
Total	**$405,610**	**$ 973**	**$ 61**	**$ 16**	**$ 1,050**	**$ 29**	**$ -**	**$ 68**	**$ 2,065**	**$ 2,162**	**$408,822**

	Accruing Loans					Nonaccrual Loans					
2022	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Nonaccrual	Total Loans
Real Estate Loans:											
Residential	$ 141,917	$ 158	$ -	$ -	$ 158	$ 48	$ 85	$ -	$ 417	$ 550	$ 142,625
Non-Residential	159,659	-	-	-	-	-	-	-	-	-	159,659
Commercial Loans	23,869	-	-	-	-	-	-	-	-	-	23,869
Consumer and Credit Cards	3,646	-	31	5	36	-	-	-	-	-	3,682
Construction and Land Development	21,512	58	-	-	58	-	-	-	-	-	21,570
Total	**$350,603**	**$ 216**	**$ 31**	**$ 5**	**$ 252**	**$ 48**	**$ 85**	**$ -**	**$ 417**	**$ 550**	**$351,405**

Nonaccrual Loans

Nonaccrual loans by class as of December 31, 2023 and 2022 are as follows (in thousands):

	CECL			Incurred Loss
	December 31, 2023			December 31, 2022
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans	Nonaccrual Loans
Real Estate Loans:				
Residential	$ 339	$ 1,823	$ 2,162	$ 550
Non-Residential	-	-	-	-
Commercial Loans	-	-	-	-
Consumer and Credit Cards	-	-	-	-
Construction and Land Development	-	-	-	-
Total	**$ 339**	**$ 1,823**	**$ 2,162**	**$ 550**

Collateral-Dependent Loans

Collateral-dependent loans are loans for which repayment is expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulty.

Collateral-dependent loans by class as of December 31, 2023 are as follows (in thousands):

	Collateral Type					
2023	Residential Properties	Business Assets	Land	Commercial Property	Other	Total
Real Estate Loans:						
Residential	$ 2,162	$ -	$ -	$ -	$ -	$ 2,162
Non-Residential	-	-	-	-	-	-
Commercial Loans	-	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-	-
Construction and Land Development	-	-	-	-	-	-
Total	**$ 2,162**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,162**

Impaired Loans

Impaired loans by class as of December 31, 2022 are as follows (in thousands):

2022	Recorded Investment	Unpaid Principal Balance	Recorded Allowance	Average Recorded Investment	Interest Income Recognized
Impaired Loans with No Related Allowance Recorded:					
Real Estate Loans:					
Residential	$ 550	$ 550	$ -	$ 550	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-
Total	**$ 550**	**$ 550**	**$ -**	**$ 550**	**$ -**
With an Allowance Recorded:					
Real Estate Loans:					
Residential	$ -	$ -	$ -	$ -	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-
Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Impaired Loans:					
Real Estate Loans:					
Residential	$ 550	$ 550	$ -	$ 550	$ -
Non-Residential	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Consumer and Credit Cards	-	-	-	-	-
Total	**$ 550**	**$ 550**	**$ -**	**$ 550**	**$ -**

Loan Modifications

The following tables summarize information relative to loans modified to borrowers experiencing financial difficulty, disaggregated by class of loan, as of December 31, 2023 and 2022 (dollars in thousands). The Bank is not committed to lend additional funds to either of the loan modifications at December 31, 2023.

	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
2023			
Real Estate Loans:			
Residential	2	$ 375	$ 336
Non-Residential	-	-	-
Commercial Loans	-	-	-
Construction and Land Development	-	-	-
Consumer and Credit Cards	-	-	-
Total	**2**	**$ 375**	**$ 336**

	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
2022			
Real Estate Loans:			
Residential	2	$ 284	$ 229
Non-Residential	-	-	-
Commercial Loans	-	-	-
Construction and Land Development	-	-	-
Consumer and Credit Cards	-	-	-
Total	**2**	**$ 284**	**$ 229**

Both modifications in both 2023 and 2022 were term extensions, which did not significantly add to the weighted average life of the loans, but which did temporarily reduce monthly payments from the borrowers.

The following tables summarize loan modifications at December 31, 2023 and 2022 that defaulted subsequent to the modification date through the date the financial statements were available to be issued for each period noted.

	2023			2022		
	Number of Contracts		Recorded Investment	Number of Contracts		Recorded Investment
Real Estate Loans:						
Residential	2	$	336	2	$	229
Non-Residential	-		-	-		-
Commercial Loans	-		-	-		-
Construction and Land Development	-		-	-		-
Consumer and Credit Cards	-		-	-		-
Total	**2**	**$**	**336**	**2**	**$**	**229**

Nonperforming Assets

The following table provides information about the Bank's nonperforming assets at December 31, 2023 and 2022 (dollars in thousands):

	2023		2022	
Nonaccrual Loans	$	2,162	$	550
Loans Past Due 90 or More Days and Still Accruing Interest		16		5
Total Nonperforming Loans		2,177		555
Foreclosed Real Estate		-		-
Total Nonperforming Assets	**$**	**2,177**	**$**	**555**
Allowance for Loan Losses	$	4,214	$	3,831
Nonperforming Loans to Year-End Loans, Excluding Loans Held for Sale		0.53%		0.16%
Allowance for Loan Losses to Year-End Loans, Excluding Loans Held for Sale		1.03%		1.09%
Nonperforming Assets as a Percentage of:				
Loans and Foreclosed Real Estate		0.53%		0.16%
Total Assets		0.37%		0.09%
Ratio of Allowance for Loan Losses to Nonperforming Loans		193.54%		689.74%

The Bank had no Other Real Estate Owned ("OREO") at either December 31, 2023 or 2022. However, at December 31, 2023, loans secured by residential real estate that were in the process of foreclosure totaled $1,823,000 and were included in nonaccrual loans above.

Allowance for Credit Losses

Management segregates the loan portfolio into portfolio segments, defined as the level at which the Bank develops and documents a systematic method for determining its allowance for credit losses on loans. The portfolio segments are segregated based on loan types, collateral type, and the underlying risk factors present. Such risk factors are periodically reviewed by management and revised as necessary. The following tables set forth, as of December 31, 2023 and 2022, the balance of the allowance for credit losses on loans by portfolio segment. The allowance for credit losses on loans allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

(In thousands) 2023	Real Estate-Residential	Real Estate-Non Residential	Commercial	Consumer & Credit Card	Construction & Land Development	Total
Allowance for Credit Losses on Loans:						
Beginning Balance	$ 1,429	$ 1,585	$ 423	$ 180	$ 214	$ 3,831
Adoption of ASU No. 2016-13	(171)	(213)	170	(36)	74	(176)
Beginning Balance, as adjusted	1,258	1,372	593	144	288	3,655
Charge-Offs	-	-	(42)	(286)	-	(328)
Recoveries	-	-	-	107	-	107
Reclassification from Reserve for Unfunded Lending Commitments	21	19	5	2	3	50
Provision	522	183	(138)	184	(21)	730
Ending Balance	**$ 1,801**	**$ 1,574**	**$ 418**	**$ 151**	**$ 270**	**$ 4,214**
Reserve for Unfunded Lending Commitments:						
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -
Adoption of ASU No. 2016-13	40	38	19	1	217	315
Beginning Balance, as adjusted	40	38	19	1	217	315
Reclassification to Allowance for Loan Losses	(21)	(19)	(5)	(2)	(3)	(50)
Provision	(4)	(4)	8	1	(33)	(32)
Ending Balance	**$ 15**	**$ 15**	**$ 22**	**$ -**	**$ 181**	**$ 233**

(In thousands) 2022	Real Estate-Residential	Real Estate-Non Residential	Commercial	Consumer & Credit Card	Construction & Land Development	Total
Allowance for Loan Losses:						
Beginning Balance	$ 1,609	$ 1,124	$ 576	$ 297	$ 98	$ 3,704
Charge-Offs	(1)	-	(743)	(293)	-	(1,037)
Recoveries	2	-	-	124	-	126
Provision	(181)	461	590	52	116	1,038
Ending Balance	**$ 1,429**	**$ 1,585**	**$ 423**	**$ 180**	**$ 214**	**$ 3,831**
Ending Balance of Allowance for Loan Losses Allocated to:						
Individually Evaluated for Impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively Evaluated for Impairment	1,429	1,585	423	180	214	3,831
Loans Receivable:						
Total Loans	$ 142,625	$ 159,659	$ 23,869	$ 3,682	$ 21,570	$ 351,405
Loans Individually Evaluated for Impairment	550	-	-	-	-	550
Loans Collectively Evaluated for Impairment	142,075	159,659	23,869	3,682	21,570	350,855

The following table provides gross charge-offs by the year of origination for the year ended December 31, 2023 (dollars in thousands):

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Total
Real Estate Loans:								
Residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Residential	-	-	-	-	-	-	-	-
Commercial Loans	-	42	-	-	-	-	-	42
Consumer and Credit Cards	-	23	30	-	-	44	189	286
Construction and Land Developme	-	-	-	-	-	-	-	-
Total	**$ -**	**$ 65**	**$ 30**	**$ -**	**$ -**	**$ 44**	**$ 189**	**$ 328**

Note 4 - Bank Premises and Equipment

Bank premises and equipment at December 31, 2023 and 2022 are summarized below (in thousands):

	2023	2022
Land	$ 2,257	$ 2,257
Buildings	8,588	8,515
Leasehold Improvements	3,651	3,855
Furniture, Fixtures and Equipment	8,329	7,640
Right-of-Use Asset	3,998	3,998
Construction in Progress	792	508
Total Bank Premises and Equipment	27,615	26,773
Less: Accumulated Depreciation	(15,020)	(14,149)
Total Bank Premises and Equipment, Net	**$ 12,595**	**$ 12,624**

Construction-in-Progress consists of costs incurred to date for a new branch building in Covington, LA. At December 31, 2023, the Bank has entered into a construction contract for approximately $2.9 million related to this branch.

Depreciation and amortization amounted to approximately $619,000 and $669,000 in 2023 and 2022, respectively.

Note 5 - Other Investments

The Bank has invested in Community Financial Insurance Center, L.L.C., a limited liability company organized to engage in the insurance agency business, including the acquisition of existing insurance agencies and such other related activities, but only to the extent such activities are permissible for banks, either directly or through their affiliates. The Bank's initial investment of $400,000 amounted to approximately 2.5% of the limited liability company's contributed capital at inception. The Bank accounts for its investment in the company by the cost method. The carrying amount of the investment approximates the Bank's investment in the amount of underlying equity in the company's net assets.

The Bank has committed to invest $500,000 into Route 2 Capital Partners, a Small Business Investment Company ("SBIC"). SBIC's are privately owned and managed investments funds that are licensed and regulated by the Small Business Administration ("SBA"), to make investment in qualifying small business, as defined by SBA regulations. At December 31, 2023 and 2022, the Bank had investments in this SBIC totaling $365,000 and $335,000, respectively.

Note 6 - Deposits

Deposit account balances at December 31, 2023 and 2022 are summarized as follows (in thousands):

	2023	2022
Non-Interest-Bearing Demand	$ 142,468	$ 172,008
Interest-Bearing Demand	131,213	144,108
Savings	136,051	177,139
Certificates of Deposit	83,776	42,020
Total Deposits	**$ 493,508**	**$ 535,275**

Total certificates of deposit with denominations in excess of $250,000 were approximately $20,071,000 and $7,075,000 at December 31, 2023 and 2022, respectively. The Bank has no brokered deposits and there are no major concentrations of deposits.

Maturity data for all certificates of deposit as of December 31, 2023 is presented as follows (in thousands):

Three Months or Less	$ 13,611
Over Three Months Through Twelve Months	53,274
Over One Year Through Three Years	13,539
Over Three Years	3,352
Total	**$ 83,776**

Note 7 - Lines of Credit

The Bank has an available line of credit with the FHLB with a borrowing capacity at December 31, 2023 of approximately $167,040,000 which is secured by a blanket lien on the Bank's mortgage loans. Outstanding borrowings were $34,500,000 at December 31, 2023, all of which matures in 2024. There was no outstanding balance of those borrowings from the FHLB at December 31, 2022.

At December 31, 2023 and 2022, the amount of FHLB stock required to be owned by the bank was $236,200 and $244,400, respectively. At December 31, 2023 and 2022, the bank owned $1,729,100 and $1,058,100, respectively of FHLB stock.

The Bank has an unsecured $14,300,000 federal funds line of credit with First National Bankers Bank that expires June 30, 2024 and has a variable interest rate based on the prevailing federal funds rate. Additionally, the Company has a separate $2,000,000 line of credit with First National Bankers Bank with a fixed interest rate of 8.50% that expires on September 6, 2024. Both lines of credit were unfunded at both December 31, 2023 and 2022.

Note 8 – Subordinated Debt Obligations

In December 2021, the Company issued $18 million in aggregate principal amount of fixed-to-floating rate subordinated debentures ("Notes"). These notes have a stated maturity of December 2, 2031 and bear interest at a fixed annual rate of 3.50% per year, up to but excluding December 2, 2026. These notes are subject, at the option of the Company, to redemption beginning on December 2, 2026 at an amount equal to 100% of the principal amount outstanding at par, plus accrued and unpaid interest. From and including December 2, 2026 to the maturity date or early redemption date, the interest rate will reset quarterly to an annual interest rate equal to the then-current three-month SOFR plus 235 basis points. The fixed and fixed-to-floating Notes are subject to redemption under certain limited circumstances at par prior to December 2, 2031. The Notes were structured to qualify as Tier 2 capital under Federal Reserve regulations. The Notes are recorded net of unamortized issuance costs of approximately $227,000 and $305,000 at December 31, 2023 and 2022, respectively.

Note 9 – Income Taxes

The provision (credit) for income taxes for the years ended December 31, 2023 and 2022 consists of the following (in thousands):

	2023	2022
Current	$ 1,323	$ 827
Deferred	(13)	(41)
Total	**$ 1,310**	**$ 786**

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 (in thousands):

Federal Statutory Income Tax:	2023	2022
21% for 2023 and 2022	$ 1,381	$ 900
Nontaxable Income	(80)	(119)
Nondeductible Expenses	3	1
Other	6	4
Provision for Income Taxes	**$ 1,310**	**$ 786**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities were computed using currently enacted corporate tax rates of 21% at December 31, 2023 and 2022. Significant components of the Bank's deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Deferred Tax Assets:		
Allowance for Loan Losses	$ 763	$ 634
Deferred Compensation Payable	111	118
	874	752
Deferred Tax (Liabilities):		
Pension Costs	(435)	(441)
Depreciation	(595)	(510)
	(1,030)	(951)
Subtotal	(156)	(199)
Unrealized (Gains) Losses - Available for Sale Securities	2,660	3,215
Unrecognized Pension Plan (Gains) Losses	221	446
Net Deferred Tax Asset (Liability)	**$ 2,725**	**$ 3,462**

Note 10 - Noninterest Income

The components of other noninterest income for the years ended December 31, 2023 and 2022 were as follows (in thousands):

	2023	2022
Insurance Commissions	$ 530	$ 346
Increase in Cash Surrender of Life Insurance	33	152
Other Income	37	124
	$ 600	$ 622

Note 11 - Noninterest Expense

The components of other noninterest expense for the years ended December 31, 2023 and 2022 were as follows (in thousands):

	2023	2022
Data Processing Services	$ 355	$ 336
Directors' Fees	233	226
Telephone	275	359
Dues and Subscriptions	122	115
Postage	162	154
Software Maintenance	424	391
ATM Interchange Expense	430	352
Advertising	704	624
Insurance - Bank Other	151	144
Supplies	176	172
Professional Fees	581	574
FDIC and OFI Assessments	368	277
Other	1,164	1,454
	$ 5,145	$ 5,178

Note 12 - Employee Benefits

<u>Defined Benefit Plan</u>

The Bank has a defined benefit retirement plan that covers eligible employees that entered the plan prior to September 30, 2012. Prior to that date, eligible employees entered the plan when they attained the age of 21 and had 18 months of service. Effective September 30, 2012, the Bank amended the plan to freeze benefit accruals and anyone who was not a participant in the plan as of that date will not be eligible to enter the plan. Participants are 100% vested upon entry into the plan. The defined benefit plan pays benefits to employees at retirement using formulas based on years of service and compensation rates near retirement. The Bank's funding policy is generally to make the maximum annual contributions required by applicable regulations. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. The amount of the unrecognized net loss amount that will be amortized from accumulated other comprehensive income into pension expense in 2024 is estimated to be $20,000.

Accounting for defined benefit retirement plans is subject to the accounting guidance of FASB ASC 715, Compensation - Retirement Benefits.

At December 31, 2023 and 2022, the net periodic pension cost for each fiscal year was as follows (in thousands):

	2023	2022
Service Cost	$ -	$ -
Interest Cost	163	116
Settlement Cost	106	-
Expected Return on Assets	(215)	(216)
Net Amortization Amounts		
(Gain) or Loss Recognized	58	150
Net Periodic Pension Cost (Credit)	**$ 112**	**$ 50**

At December 31, 2023 and 2022, the funded status of the plan was as follows (in thousands):

	2023	2022
Fair Value of Plan Assets at December 31	$ 4,078	$ 4,396
Benefit Obligation at December 31	(3,240)	(3,378)
Funded Status	838	1,018
Unrecognized Net Loss	1,146	1,055
Prepaid Pension Cost	$ 1,984	$ 2,073

The plan's weighted-average asset allocations at December 31, by asset category, are as follows:

	2023	2022
Guaranteed Fixed Income Single Group Annuity Contract	100%	100%

	2023	2022
Weighted Average Assumptions as of December 31:		
Discount Rate	4.77%	4.96%
Expected Return on Plan Assets	2.00%	5.00%
Rate of Compensation Increase	0.00%	0.00%

The underlying portfolio backing this group annuity contract is a segment of the General Account of Metropolitan Life Insurance Company. The portfolio is primarily invested in bonds and mortgages and seeks to maintain the highest possible quality consistent with attractive long-term investment returns. Fair value of these type of investments are generally based on level 2 inputs.

There are no Bank securities in the plan assets.

The Bank's is not expected to make a contribution to the plan in 2024.

The following estimated future benefit payments are expected to be made over the following periods (in thousands):

	Amount
2024	$ 758
2025	147
2026	71
2027	194
2028	265
Thereafter	1,203
Total	**$ 2,638**

The reconciliation of the fair value of plan assets for 2023 and 2022 are as follows (in thousands):

	2023	2022
Fair Value of Plan Assets - Beginning	$ 4,396	$ 4,406
Actual Contributions	22	23
Actual Distributions	(386)	(76)
Expected Return on Assets	215	216
Gain or (Loss)	(169)	(173)
Fair Value of Plan Assets - Ending	**$ 4,078**	**$ 4,396**

The reconciliation of the projected benefit obligation ("PBO") for 2023 and 2022 are as follows (in thousands):

	2023	2022
PBO - Beginning	$ 3,378	$ 4,429
Interest Cost	163	116
Actual Distributions	(386)	(76)
Liability (Gain) or Loss	71	(1,091)
Effect of Settlement / Curtailment	14	-
PBO - Ending	$ 3,240	$ 3,378

The plan allows lump sum payments. The above estimated benefit payments represent amounts payable as participants reach normal retirement age during the specified years. The lump sums were based on the plan's actuarial assumptions and do not reflect the governmentally prescribed assumptions, which are subject to change each year, and often provide for a higher amount.

Defined Contribution Plan

The Bank offers a 401(k) Employee Savings Plan that covers employees who are over 21 years of age. These employees are automatically enrolled in the Plan. Employees are 100% vested in the funds they have contributed. The matching and discretionary funds contributed by the employer are partially vested after three years and fully vested after seven years of service. In 2023, participants made contributions in the form of salary deferrals up to 15% of their compensation, up to a maximum of $22,500, and participants who have reached the age of 50 were eligible to make an additional $7,500 “catch-up” contribution annually without regard to the above limitations. The Bank matches 100% of each employee's contributions, up to 5% of each employee's compensation. There was no change in the percentage of the Bank's matching contributions for 2023. The Bank's matching contribution for 2023 and 2022 amounted to approximately $298,000 and $282,000, respectively.

Deferred Compensation Agreement

The Bank entered into a deferred compensation agreement covering one of its former officers. The total deferred compensation payable under the agreement was $1,275,000, payable $85,000 annually for fifteen years commencing upon the officer's retirement. The deferred compensation was accrued and charged to earnings as the related employee's services were rendered. The balance of accrued deferred compensation at December 31, 2023 and 2022 was approximately $527,000 and $564,000, respectively. The agreement is unfunded and is payable from the general assets of the Bank.

Note 13 - Obligations Under Operating Leases

The Bank has long-term operating leases on certain buildings and land it occupies as branch offices in Metairie, Louisiana, which expire at various times through December 2057. Certain leases have renewal options and rent escalation options. Rent relating to these leases charged to Occupancy Expense in the consolidated statements of comprehensive income was approximately $398,000 in 2023 and $348,000 in 2022. The weighted average remaining lease term was approximately 16 years at December 31, 2023 and 17 years at December 31, 2022. The weighted average discount rate was approximately 2.76% for both of the years ended December 31, 2023 and 2022.

Maturities of operating lease obligations are as follows (in thousands):

2024	$	403
2025		381
2026		291
2027		217
2028		193
Thereafter		1,918
Total Lease Payments		3,403
Less Imputed Interest		(878)
Total	**$**	**2,525**

The Bank does not recognize ROU assets and lease liabilities on short-term leases but recognizes lease expense for these leases on a straight-line basis over the lease terms and any variable lease payments in the period in which the obligation for those payments is incurred. The total lease expense for these short-term leases for the years ended December 31, 2023 and 2022 was immaterial.

Note 14 - Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheet.

Financial instruments whose contract amount represents credit risk were as follows (in thousands):

	2023	2022
Commitments to Extend Credit	$ 62,271	$ 57,228
Standby Letters of Credit	153	377

Commitments to extend credit are agreements to lend to a customer as long as there are no violations of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Historically, commitments expire without being drawn upon, so the total commitment amount does not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained by the Bank upon extension of credit, if deemed necessary, is based on management's credit evaluation.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral (and the nature of such collateral) is essentially the same as that for making commitments to extend credit.

Note 15 - Significant Concentrations of Credit Risk

The Bank generates loans to individual and business customers within its immediate and surrounding geographic areas, and the majority of those loans, which are secured, are collateralized by real estate and other collateral in the same geographic areas. Likewise, the Bank receives a majority of its deposits from substantially the same customers.

Note 16 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and capital adequacy classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. As of December 31, 2023 and 2022, the Bank was classified as well capitalized under the regulatory framework for prompt corrective action, and management believes that the Bank meets all capital adequacy requirements to which it is subject.

In 2020, the Bank elected to opt into the Community Bank Leverage Ratio ("CBLR") framework, which exempts banks with less than $10 billion in assets and that meet certain other requirements, including maintaining a CBLR of at least 9%, from existing risk-based capital ratio and leverage ratio requirements. Also in 2020, as mandated under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, the federal banking agencies adopted an interim final rule that temporarily reduced the minimum CBLR requirement to 8.0% for 2020, 8.5% for 2021, and 9.0% thereafter. At December 31, 2023 and 2022, the Bank's actual CBLR was calculated as follows (dollars in thousands):

	2023	2022
CBLR Capital	$ 66,184	$ 62,779
Total Assets for the Leverage Ratio	590,986	620,669
CBLR	11.20%	10.11%

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.

On November 28, 2023, the Company declared a $0.50 per share dividend to shareholders of record on December 21, 2023, payable on January 2, 2024. In December of 2023, the amount of this dividend, $1,021,772 was paid to the Company's third-party transfer agent to facilitate the timely completion of this dividend payment. As such, this amount is not reflected as a payable on the Company's consolidated financial statements as of December 31, 2023.

Note 17 - 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, 2023 and 2022 (in thousands):

	Unrealized Gains (Losses) Securities Available for Sale	Defined Benefit Pension Plan Unrecognized Gains (Losses)	Total Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2022	$ 583	$ (1,913)	$ (1,330)
Other Comprehensive Income (Loss) Before Reclassification Adjustments, Net of Tax	(12,676)	235	(12,441)
Total Other Comprehensive Income (Loss), Net of Tax	(12,676)	235	(12,441)
Balance, December 31, 2022	(12,093)	(1,678)	(13,771)
Other Comprehensive Income (Loss) Before Reclassification Adjustments, Net of Tax	2,095	844	2,939
Reclassification Adjustments, Net of Tax	(8)	-	(8)
Total Other Comprehensive Income (Loss), Net of Tax	2,087	845	2,931
Balance December 31, 2023	$ (10,007)	$ (833)	$ (10,840)

Note 18 - Fair Value of Financial Statements

Fair Value Disclosures

The Company groups its financial assets and liabilities measured at fair value in three levels, based on the assumptions used 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 the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. Each fair value measurement is placed into the proper level based on the lowest level of significant input. The three levels of inputs used to measure fair value are:

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets;

b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market);
c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates);
d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 - Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset or owes the liability.

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 measured on a recurring basis as of December 31, 2023 and 2022 (in thousands). The Company did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

		Fair Value Measurement Using		
Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 58,459	$ -	$ 58,459	$ -
Mortgage Backed Securities	46,059	-	46,059	-
Securities Issued by States and Political Subdivisions in the U.S.	24,312	-	24,312	-
Corporate Bonds	10,454	-	10,454	-
Total	**$ 139,284**	**$ -**	**$ 139,284**	**$ -**
December 31, 2022				
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 79,621	$ -	$ 79,621	$ -
Mortgage Backed Securities	54,970	-	54,970	-
Securities Issued by States and Political Subdivisions in the U.S.	28,022	-	28,022	-
Corporate Bonds	11,293	-	11,293	-
Total	**$ 173,906**	**$ -**	**$ 173,906**	**$ -**

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 (in thousands). 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 collateral-dependent and impaired loans is measured at the fair value of the collateral. Collateral-dependent and impaired loans are Level 2 assets measured using appraisals from external parties of the collateral less any prior liens. Repossessed assets are initially recorded at fair value less estimated costs to sell. The fair value of repossessed assets is based on property appraisals and an analysis of similar properties available. As such, the Company 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)
December 31, 2023				
Assets				
Collateral-Dependent Loans	$ 2,062	$ -	$ 2,062	$ -
Total	**$ 2,062**	**$ -**	**$ 2,062**	**$ -**
December 31, 2022				
Assets				
Impaired Loans	$ 550	$ -	$ 550	$ -
Total	**$ 550**	**$ -**	**$ 550**	**$ -**

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 Bearing Deposits in other 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 - 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 Surrender 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.

Subordinated Debt Obligations - 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.

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, 2023 and 2022 are as follows (in thousands):

			Fair Value Measurement Using		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023					
Financial Assets:					
Cash, Short-Term Investments and Federal Funds Sold	$ 18,258	$ 18,258	$ 18,258	$ -	$ -
Interest Bearing Deposits	1,256	1,256	1,256	-	-
Securities-Available for Sale	139,284	139,284	-	139,284	-
Other Securities	3,004	3,004	-	-	3,004
Cash Value of Life Insurance	2,862	2,862	-	2,862	-
Mortgage Loans Available for Sale	-	-	-	-	-
Loans-Net	404,608	397,958	-	-	397,958
Total	**$ 569,272**	**$ 562,622**	**$ 19,514**	**$ 142,146**	**$ 400,962**
Financial Liabilities:					
Deposits	$ 493,508	$ 408,077	$ -	$ -	$ 408,077
Short-term borrowings	34,500	34,500	-	34,500	$ -
Subordinated Debt Obligations	17,773	17,773	-	-	17,773
Total	**$ 545,781**	**$ 460,350**	**$ -**	**$ 34,500**	**$ 425,850**

	Carrying Amount	Fair Value	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022					
Financial Assets:					
Cash, Short-Term Investments and Federal Funds Sold	$ 37,580	$ 37,580	$ 37,580	$ -	$ -
Interest Bearing Deposits	1,246	1,246	1,246	-	-
Securities-Available for Sale	173,906	173,906	-	173,906	-
Other Securities	2,303	2,303	-	-	2,303
Cash Value of Life Insurance	2,947	2,947	-	2,947	-
Mortgage Loans Available for Sale	-	-	-	-	-
Loans-Net	347,574	330,163	-	-	330,163
Total	**$ 565,556**	**$ 548,145**	**$ 38,826**	**$ 176,853**	**$ 332,466**
Financial Liabilities:					
Deposits	$ 535,275	$ 440,151	$ -	$ -	$ 440,151
Subordinated Debt Obligations	17,695	17,695	-	-	17,695
Total	**$ 552,970**	**$ 457,846**	**$ -**	**$ -**	**$ 457,846**

Note 19 - Condensed Financial Information (Parent Company Only)

Presented below is the condensed balance sheet, condensed statement of income and the condensed statement of cash flows of the Parent Company (in thousands):

MBT BANCSHARES, INC.

CONDENSED BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

	2023	2022
Assets:		
Cash	$ 1,726	$ 2,017
Due from Subsidiary Bank	182	176
Prepaid Expenses	164	10
Investments in Bank Subsidiary	55,261	49,008
Total Assets	**$ 57,333**	**$ 51,211**
Liabilities and Shareholders' Equity:		
Accrued Interest Payable	$ 54	$ 52
Subordinated Debt Obligations	17,773	17,695
Total Liabilities	17,827	17,747
Total Shareholders Equity	39,506	33,464
Total Liabilities and Shareholders' Equity	**$ 57,333**	**$ 51,211**

CONDENSED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Income:		
Undistributed Equity in Net Income of Bank Subsidiary	$ 3,432	$ 2,098
Dividends from Bank Subsidiary	2,422	2,044
Total Income	5,854	4,142
Expenses:		
Interest Expense	708	781
Professional Fees	30	23
Other Noninterest Expense	8	11
Total Expenses	746	815
Income before Tax Expense	5,108	3,327
Provision Credit for Tax	(157)	(171)
Net Income	**$ 5,265**	**$ 3,498**

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Net Income	$ 5,265	$ 3,498
(Increase) Decrease in Due from Bank Subsidiary	(6)	(164)
(Increase) Decrease from Prepaid Expenses	(154)	(10)
Increase (Decrease) in Other Liabilities	80	129
Equity in Net Income of Bank Subsidiary	(3,432)	(2,098)
Net Cash Provided by Operating Activities	1,753	1,355
Cash Flows From Financing Activities:		
Dividends Declared	(2,044)	(2,044)
Net Cash (Used in) Provided by Financing Activities	(2,044)	(2,044)
Net Increase (Decrease) in Cash	(291)	(689)
Cash and Cash Equivalents - Beginning of Year	**2,017**	**2,706**
Cash and Cash Equivalents - End of Year	**$ 1,726**	**$ 2,017**

Note 20 – Subsequent Events

Management has evaluated subsequent events and transactions for any potential recognition or disclosure in the financial statements through March 25, 2024 the date which the financial statements were available to be issued.