Eureka HOMESTEAD
BANCORP, INC.

Annual Report 2023

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Eureka HOMESTEAD BANCORP, INC.

ANNUAL AUDIT REPORT
2023 AND 2022

STOCKHOLDER INFORMATION

Stock Listing

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

Special Counsel

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

Independent Registered Public Accounting Firm

T. E. Lott & Company, PA
221 North Seventh Street
Columbus, Mississippi 39703-0471

Transfer Agent

Equiniti Trust Company, LLC
55 Challenger Road
Ridgefield Park, NJ 07660

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

DIRECTORS AND OFFICERS

Directors		Executive Officers
Alan T. Heintzen *Chairman of the Board and Chief Executive Officer* *Eureka Homestead*	Nick O. Sagona Jr. *Director* *Retired*	Alan T. Heintzen *Chairman of the Board and Chief Executive Officer*
Cecil A. Haskins Jr. *President and Chief Financial Officer* *Eureka Homestead*	Robert M. Shofstahl *Director* *Retired*	Cecil A. Haskins Jr. *President and Chief Financial Officer*
Creed W. Brierre Sr. *Director* *Retired*	Patrick M. Gibbs *Director* *Retired*	

Eureka HOMESTEAD
BANCORP, INC.

1922 Veterans Memorial Boulevard Metairie, LA 70005
www.eurekahomestead.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eureka Homestead Bancorp, Inc.
Metairie, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of Eureka Homestead Bancorp, Inc. and Subsidiary (the Company) (a Maryland Corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of (loss) income, comprehensive (loss) income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eureka Homestead Bancorp, Inc. and 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326 *Financial Instruments – Credit Losses* (ASC 326). The Company adopted the new credit loss standard using the retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated 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.

To the Board of Directors
Eureka Homestead Bancorp, Inc.

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 Eureka Homestead Bancorp, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Eureka Homestead Bancorp, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eureka Homestead Bancorp, Inc.'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.

J. E. Lott & Company

Columbus, Mississippi
March 19, 2024

EUREKA HOMESTEAD BANCORP, INC.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(in thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Cash and Cash Equivalents	$ 2,253	$ 3,650
Interest-Bearing Deposits in Banks	5,493	1,249
Debt Securities, Available for Sale, at Fair Value (Amortized Cost $4,712 and $5,702, net of Allowance for Credit Losses of $0 and $0 at December 31, 2023 and December 31, 2022, Respectively)	4,452	5,417
Loans Receivable, Net of Allowance for Credit Losses of $850,000 and $850,000 at December 31, 2023 and December 31, 2022, Respectively	86,003	85,844
Loans Held-for-Sale	—	—
Accrued Interest Receivable	492	453
Federal Home Loan Bank Stock, at Cost	1,545	1,469
Premises and Equipment, Net	618	670
Cash Surrender Value of Life Insurance	4,303	4,312
Deferred Tax Asset	55	60
Prepaid Expenses and Other Assets	151	196
Total Assets	$ 105,365	$ 103,320
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 65,191	$ 62,220
Advances from Federal Home Loan Bank	19,270	19,744
Advance Payments by Borrowers for Taxes and Insurance	1,091	1,402
Accrued Expenses and Other Liabilities	607	639
Total Liabilities	86,159	84,005
Stockholders' Equity:		
Preferred Stock, $0.01 Par Value, 1,000,000 Shares Authorized, No Shares Issued	—	—
Common Stock, $0.01 Par Value, 9,000,000 Shares Authorized, 1,026,127 and 1,026,127 Shares Issued and Outstanding at December 31, 2023 and December 31, 2022, Respectively	10	10
Additional Paid-in Capital	8,117	8,085
Unallocated Common Stock Held by:		
Employee Stock Ownership Plan (ESOP)	(915)	(960)
Retained Earnings	12,199	12,405
Accumulated Other Comprehensive (Loss)	(205)	(225)
Total Stockholders' Equity	19,206	19,315
Total Liabilities and Stockholders' Equity	$ 105,365	$ 103,320

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

EUREKA HOMESTEAD BANCORP, INC.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands)

	Year Ended December 31, 2023	2022
Interest Income:		
Loans Receivable	$ 3,362	$ 3,023
Debt Securities	215	97
Interest-Bearing Deposits in Banks	274	102
Total Interest Income	3,851	3,222
Interest Expense:		
Deposits	1,187	753
Advances from Federal Home Loan Bank	463	431
Total Interest Expense	1,650	1,184
Net Interest Income	2,201	2,038
Provision (Credit) for Credit Losses	—	(7)
Net Interest Income After Provision (Credit) for Credit Losses	2,201	2,045
Non-Interest Income:		
Service Charges and Other Income	126	88
Fees on Loans Sold	214	422
Income from Life Insurance	89	87
Total Non-Interest Income	429	597
Non-Interest Expenses:		
Salaries and Employee Benefits	1,486	1,527
Occupancy Expense	282	231
FDIC Deposit Insurance Premium and Examination Fees	67	67
Data Processing	69	73
Accounting and Consulting	270	157
Insurance	110	104
Legal fees	305	157
Other	247	238
Total Non-Interest Expenses	2,836	2,554
(Loss) Income Before Income Tax Expense	(206)	88
Income Tax Expense	—	—
Net (Loss) Income	$ (206)	$ 88
(Loss) Earnings Per Share: Basic	$ (0.22)	$ 0.09

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

EUREKA HOMESTEAD BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands)

	Year Ended December 31, 2023	2022
Net (Loss) Income	$ (206)	$ 88
Other Comprehensive Income (Loss):		
Unrealized Gains (Losses) on Debt Securities	25	(317)
Other Comprehensive Income (Loss) Before Income Taxes	25	(317)
Income Tax Effect	(5)	67
Other Comprehensive Income (Loss), Net of Income Taxes	20	(250)
Comprehensive (Loss)	$ (186)	$ (162)

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

EUREKA HOMESTEAD BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands)

	Common Stock	Additional Paid-in Capital	Unallocated ESOP Shares	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Total
Balance, January 1, 2022	$ 12	$ 10,498	$ (1,006)	$ 12,317	$ 25	$ 21,846
ESOP Shares Earned	—	35	46	—	—	81
Stock Shares Repurchased	(2)	(2,448)	—	—	—	(2,450)
Net Income	—	—	—	88	—	88
Other Comprehensive Loss	—	—	—	—	(250)	(250)
Balance, December 31, 2022	$ 10	$ 8,085	$ (960)	$ 12,405	$ (225)	$ 19,315
Balance, January 1, 2023	$ 10	$ 8,085	$ (960)	$ 12,405	$ (225)	$ 19,315
ESOP Shares Earned	—	32	45	—	—	77
Stock Shares Repurchased	—	—	—	—	—	—
Net Loss	—	—	—	(206)	—	(206)
Other Comprehensive Income	—	—	—	—	20	20
Balance, December 31, 2023	$ 10	$ 8,117	$ (915)	$ 12,199	$ (205)	$ 19,206

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

EUREKA HOMESTEAD BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands)

	Year Ended December 31, 2023	2022
Cash Flows from Operating Activities:		
Net (Loss) Income	$ (206)	$ 88
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities:		
Cash (Used in) Provided by Operating Activities:		
Provision (Credit) for Credit Losses	—	(7)
Depreciation Expense	59	46
Amortization of FHLB Advance Prepayment Penalty	26	26
Net Amortization (Accretion) of Premium/Discount on Debt Securities	71	(71)
Stock Dividend on Federal Home Loan Bank Stock	(76)	(21)
Non-cash Compensation Related to Stock Benefit Plans	77	81
Net Decrease in Loans Held-for-Sale	—	401
Changes in Assets and Liabilities:		
(Increase) in Accrued Interest Receivable	(39)	(32)
(Increase) in CSV of Life Insurance	(16)	(87)
Decrease (Increase) in Prepaid Expenses and Other Assets	45	(52)
(Decrease) in Accrued Expenses and Other Liabilities	(32)	(20)
Net Cash (Used in) Provided by Operating Activities	(91)	352
Cash Flows from Investing Activities:		
Net (Increase) in Loans	(159)	(9,894)
Proceeds from Maturities of Interest-Bearing Deposits in Banks	13,731	17,725
Purchases of Interest-Bearing Deposits in Banks	(17,975)	(11,232)
Purchases of Debt Securities	—	(2,000)
Proceeds from Sales, Calls and Principal Repayments of Debt Securities	919	1,666
Purchases of Premises and Equipment	(7)	(90)
Death Benefits from Life Insurance	25	—
Net Cash (Used in) Investing Activities	(3,466)	(3,825)
Cash Flows from Financing Activities:		
Net Increase in Deposits	2,971	1,257
Shares Repurchased	—	(2,450)
Advances from Federal Home Loan Bank	—	1,500
Payments on Advances from Federal Home Loan Bank	(500)	—
Net (Decrease) in Advance Payments by Borrowers for Taxes and Insurance	(311)	(500)
Net Cash Provided by (Used in) Financing Activities	2,160	(193)
Net (Decrease) in Cash and Cash Equivalents	(1,397)	(3,666)
Cash and Cash Equivalents at Beginning of Period	3,650	7,316
Cash and Cash Equivalents at End of Period	$ 2,253	$ 3,650
Supplemental Disclosures for Cash Flow Information:		
Cash Paid for:		
Interest	$ 1,640	$ 1,195
Income Taxes	$ —	(18)
Supplemental Schedule for Noncash Investing and Financing Activities:		
Change in the Unrealized Gain/Loss on Debt Securities	$ 25	$ (317)

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

Note 1 - Nature of Operations, Principles of Consolidation, Use of Estimates and Summary of Significant Accounting Policies -

Nature of Operations

Eureka Homestead Bancorp, Inc. (the “Company”) (OTC Pink Marketplace – ERKH) was formed to serve as the stock holding company for Eureka Homestead (the “Bank”) upon completion of its mutual-to-stock conversion. The conversion was effective July 9, 2019. In connection with the conversion, the Company sold 1,429,676 shares of its common stock, including 114,374 shares purchased by the Bank’s employee stock ownership plan, at a price of $10.00 per share.

Unless otherwise indicated or the context otherwise requires, references in these financial statements to “we, “us”, “our”, “Company” and “Bank” refer collectively to Eureka Homestead Bancorp, Inc. and Eureka Homestead on a consolidated basis or to any of those entities, depending on the context.

The Bank is a federal stock savings association subject to regulation by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The Company conducts lending and deposit-taking activities from two locations in the New Orleans, Louisiana area. The Company provides service to customers in the New Orleans and surrounding areas. The accounting and reporting policies of the Company are in accordance with generally accepted accounting principles in the United States of America and conform to general practices within the industry.

The Company’s loan portfolio consists mainly of loans to homeowners; however, the Company's loan portfolio does include loans secured by non-residential real estate. The majority of loans are secured by first mortgages on area real estate and are expected to be repaid from the cash flow of the borrower. Some of the activities upon which the economy of the New Orleans area is dependent include the petrochemical industry, the port of New Orleans and economic activity along that region of the Mississippi River, healthcare and tourism. Significant declines in these activities and the general economic conditions in the Company's market areas could affect the borrower’s ability to repay loans and cause a decline in value of the assets securing the loan portfolio.

The Company’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 local or national economic conditions, interest rates and regulatory requirements.

Principles of Consolidation

The consolidated financial statements as of and for the years ended December 31, 2023 and 2022, include the Company and the Bank, together referred to as the Company. Intercompany transactions and balances have been eliminated in consolidation.

Adoption of New Accounting Pronouncements

On January 1, 2023, the Company adopted the guidance under Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments*. The main provisions of the ASU have been codified by Financial Accounting Standards Board ("FASB") in Topic 326 of the Accounting Standards Codification ("ASC 326") and introduced an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on certain types of financial instruments. ASC 326 requires financial assets measured on an amortized cost basis, including loans and held-to-maturity debt securities, to be presented at an amount net of an allowance for credit losses, which reflects expected losses for the full life of the financial asset. Unfunded lending commitments and other off-balance sheet credit exposures are also within the scope of ASC 326. Under former GAAP, credit losses were not recognized until the occurrence of the loss was probable and, as a result, the allowance for credit losses did not reflect an estimate of credit losses for the full life of financial assets.

In addition, ASC 326 requires expected credit related losses for available-for-sale debt securities to be recorded through an allowance for credit losses, while non-credit related losses will continue to be recognized through other comprehensive income. Under former GAAP, we assessed our debt securities for other-than-temporary impairment and any declines in fair value that were deemed other-than-temporary resulted in a direct write-down to the amortized cost basis of the related security. The allowance approach allows estimated expected credit losses to be adjusted from period-to-period, as opposed to a permanent write-down.

The Company applied the guidance under ASC 326 using the modified retrospective approach which could have resulted in an adjustment to beginning retained earnings for 2023. The information for reporting periods beginning on and after January 1, 2023, are presented under ASC 326, while prior periods continue to be reported in accordance with previously applicable GAAP. There was no impact of ASC Topic 326 to beginning retained earnings for 2023.

Under ASC 326, the Company groups loans and unfunded lending commitments with similar risk characteristics into pools or segments and collectively evaluates each pool to estimate the allowance for credit losses. For each pool of loans, management utilizes a Scaled CECL Allowance for Credit Loss Estimator ("SCALE") methodology to estimate credit losses over the expected life of the loan. The life of the loan excludes expected extensions, renewals and modifications, unless the extension or renewal options are included in the original or modified contract terms and are not unconditionally cancellable by the Company. The methodology incorporates industry and peer expected lifetime loss rates and qualitative adjustments, reasonable and supportable economic forecasts and estimated repayments reported on Call report schedule RI-C.

For each pool of loans, management also evaluates and applies additional qualitative adjustments specific to the Company to the calculated allowance for credit losses based on several factors, including, but not limited to, changes in current and expected future economic conditions, changes in industry experience and loan concentrations, changes in credit quality, changes in lending policies and personnel and changes in the competitive and regulatory environment of the banking industry.

The ultimate loss rates computed for each loan pool (a product of our quantitative calculation and qualitative adjustments) are used to estimate the allowance for credit losses on unfunded lending commitments. The pooled loan loss rates are applied to the portion of the unfunded lending commitments that management expects to fund in the future. These unfunded commitments are segmented into pools consistent with our grouping of outstanding loans and include available portions of lines of credit, undisbursed portions of construction loans and commitments to originate new loans. The allowance for unfunded commitments is included in Accrued Expenses and Other Liabilities.

Loans are individually evaluated for credit losses when they do not share similar risk characteristics with our identified loan pools under ASC 326. Generally, management considers loans for individual analysis when we have identified certain unique characteristics that impact the risk of credit loss. These characteristics include, but are not limited to, the creditworthiness of the borrower, the reliability of the primary source of repayment, the quality of the collateral, the size of the loan or relationship, and the industry of the borrower. The allowance for credit losses on individually evaluated, collateral-dependent loans is based on a comparison of the recorded investment in the loan with the fair value of the underlying collateral. Alternatively, we estimate credit losses on non-collateral-dependent individual loans by comparing the loan's recorded investment to the loan's estimated fair value based on discounted cash flows or an observable market price.

At adoption of ASC 326, Management also evaluated its securities portfolio for credit losses. The types of securities in the Company's portfolio have a long history of minimal credit risk and management does not expect or estimate any credit losses to occur over the life of these assts. In addition, management does not have the intent to sell any of the Company's securities in an unrealized loss position and believes that it is more likely than not that the Company will not have to sell any such securities before recovery of cost. As a result, the Company has not recorded an allowance for credit losses for its available-for-sale securities.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (ASC 326), Troubled Debt Restructurings ("TDRs") and Vintage Disclosures*. The amendments in this ASU respond to feedback received by the FASB during the post-implementation review of the amendments included in ASU 2016-13. The amendments in ASU 2022-02 eliminate the accounting guidance for TDRs by creditors in ASC 310-40, *Receivables – Troubled Debt Restructurings by Creditors* and enhance disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Under the amendments in ASU 2022-02, an entity must apply the guidance under ASC 310-20 to determine whether a modification results in a new loan or a continuation of an existing loan rather than applying the guidance for TDRs. The amendments in ASU 2022-02 were effective at adoption of the amendments in ASU 2016-13. The implementation of ASU 2022-02 did not materially impact the Company's financial statements or disclosures.

Use of Estimates

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

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of other real estate acquired, the valuation of deferred tax assets and the fair value of financial instruments.

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 and debt securities, management obtains independent appraisals for significant collateral or valuations for fair market values.

While management uses available information to recognize losses on loans and debt securities, further reductions in the carrying amounts of loans and debt securities 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 have judgments different than management's and we may determine to adjust our allowance as a result of these regulatory reviews. Because of these factors, it is reasonably possible that the estimated losses on loans and debt securities may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Debt Securities

Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 320, Investments, requires the classification of securities as trading, available-for-sale, or held-to-maturity. Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates this classification periodically.

Securities classified as available-for-sale are equity securities with readily determinable fair values and those debt securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value, less any allowance for credit losses, based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of equity, net of the related deferred tax effect.

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost, less any allowance for credit losses.

Debt securities that are bought and held by the Company primarily for the purpose of selling them in the near future are classified as trading securities and reported at fair value. Unrealized gains and losses are included in earnings. The Company did not have any trading or held-to-maturity securities at December 2023 or 2022.

Premiums and discounts are amortized or accreted over the life of the related security, adjusted for anticipated prepayments, as an adjustment to yield using the effective interest method. Mortgage-backed securities are subject to prepayment and, accordingly, actual maturities could differ from contractual maturities. Interest income is recognized when earned. Gains and losses from the sale of securities are included in earnings when realized and are determined using the specific identification method for determining the cost of securities sold.

Prior to the adoption of ASC 326, declines in the fair value of individual debt securities below their cost that were other than temporary resulted in write-downs of the individual securities to their fair value. The written down amount then became the security's new cost basis. The related write-downs were included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considered (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans Receivable

The Company grants real estate mortgage 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 outstanding unpaid principal balances adjusted for unearned income, the allowance for credit losses, and any unamortized deferred fees or costs on originated loans, and premiums or discounts on purchased loans. When principal or interest is delinquent for 90 days or more, the Company evaluates the loan for nonaccrual status.

Uncollectible interest on loans that are contractually past due is charged-off, or a contra account is established based on management's periodic evaluation. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. The contra account is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower has the ability to make timely periodic interest and principal payments, in which case the loan is returned to accrual status.

Loan fees and certain direct loan origination costs are deferred and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for actual prepayments. Amortization of net deferred fees or costs is discontinued for the loans that are deemed to be non-performing. Additionally, the unamortized net fees or costs are recognized in income when loans are paid-off.

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. 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.

Individual Loans with Different Risk Characteristics

The allowance for credit losses for individual loans that do not share risk characteristics with other loans is measured as the difference between the discounted value of expected future cash flows, based on the effective interest rate at origination, and the amortized cost basis of the loan, or the net realizable value. The allowance for credit losses is the difference between the loan’s net realizable value and its amortized cost basis (net of previous charge-offs and deferred loan fees and costs), except for collateral-dependent loans. A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale of the collateral. The expected credit loss for collateral-dependent loans is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral, adjusted for the estimated cost to sell. Fair value estimates for collateral-dependent loans are derived from appraised values based on the current market value or the ‘as is’ value of the collateral, normally from recently received and reviewed appraisals. Current appraisals are ordered on an annual basis based on the inspection date or more often if market conditions necessitate. Appraisals are obtained from state-certified appraisers and are based on certain assumptions, which may include construction or development status and the highest and best use of the property. These appraisals are reviewed by management to ensure they are acceptable, and values are adjusted down for costs associated with asset disposal. If the calculated expected credit loss is determined to be permanent or not recoverable, the amount of the expected credit loss is charged off.

Allowance for Credit Losses

The allowance for credit losses is maintained at a level which is considered to be adequate to reflect estimated credit losses in the loan and investment portfolios in accordance with ASC 326.

Management evaluates the allowance for credit losses to assess the risk of loss in the loan and securities portfolios and to determine the adequacy of the allowance for credit losses. For purposes of this evaluation, loans are aggregated into pools based on various characteristics. Some of those characteristics include payment status, concentrations, and loan to collateral value and the financial status of borrowers. In addition to these factors, management also considers the following for each segment of the loan portfolio when determining the allowance:

• *Residential mortgages* - This category consists of loans secured by first and junior liens on residential real estate. The performance of these loans may be adversely affected by unemployment rates, local residential real estate market conditions and the interest rate environment.

• *Commercial real estate* - This category consists of loans primarily secured by office buildings, and retail shopping facilities. The performance of commercial real estate loans may be adversely affected by conditions specific to the relevant industry, the real estate market for the property type and geographic region where the property or borrower is located.

• *Construction and land* - This category consists of loans to finance the ground-up construction and/or improvement of construction of residential and commercial properties and loans secured by land. The performance of construction and land loans is generally dependent upon the successful completion of improvements and/or land development for the end user, the sale of the property to a third party, or a secondary source of cash flow from the owners. The successful completion of planned improvements and development maybe adversely affected by changes in the estimated property value upon completion of construction, projected costs and other conditions leading to project delays.

• *Multi-family residential* - This category consists of loans secured by apartment or residential buildings with five or more units used to accommodate households on a temporary or permanent basis. The performance of multi-family loans is generally dependent on the receipt of rental income from the tenants who occupy the subject property. The occupancy rate of the subject property and the ability of the tenants to pay rent may be adversely affected by the location of the subject property and local economic conditions.

• *Consumer* - This category consists of loans to individuals for household, family and other personal use. The performance of these loans may be adversely affected by national and local economic conditions, unemployment rates and other factors affecting the borrower's income available to service the debt. All of our consumer loans are secured by our customers’ savings accounts and/or certificates of deposit.

As a result of the uncertainties inherent in the estimation process, management’s estimate of credit losses and the related allowance could change in the near term.

Based on management’s periodic evaluation of the allowance for credit losses, a provision for credit losses is charged to operations if additions to the allowance are required. Actual loan charge-offs are deducted from the allowance and subsequent recoveries of previously charged-off loans are added to the allowance. Accrued interest receivable on available-for-sale debt securities totaled $32,000 and $25,000 at December 31, 2023 and 2022, respectively, and is excluded from the estimate of credit losses.

Other Real Estate

Real estate properties acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at fair value on the date of acquisition. Any write-downs at the time of acquisition are charged to the allowance for credit losses. Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are expensed. At December 31, 2023 and 2022, there was no other real estate.

Subsequent to acquisition, valuations are periodically performed by management to report these assets at the lower of fair value less costs to sell or cost. Any adjustments resulting from these periodic re-evaluations of property are reflected in a valuation allowance and charged against income.

Premises and Equipment

Land is carried at cost. Buildings, leasehold improvements and furniture, fixtures and equipment are carried at cost, less accumulated depreciation and amortization, respectively. Depreciation and amortization are calculated on the straight-line basis and accelerated methods over the estimated useful lives of the assets which range from 3 to 39 years. Expenditures for improvements, which extend the life of an asset, are capitalized and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of properties and equipment are reflected in the statements of (loss) income. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

Leases

FASB ASC 842, *Leases,* establishes a right of use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The Company elected the package of practical expedients permitted under the transitional guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. Leases with a term of less than 12 months will not record a right of use asset and liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Life Insurance

The Company purchased life insurance on certain employees and directors of the Company. Appreciation in value of the insurance policies is included in noninterest income.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was approximately $17,000 and $12,000 for the years ended December 31, 2023 and 2022, respectively, and is included in other non-interest expenses.

Income Taxes

The Company accounts for income taxes in accordance with income tax guidance of FASB ASC 740, *Income Taxes*, and has adopted the 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.

The income tax guidance results in 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 the taxable income or excess deductions over revenues. The Company 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; the terms examined and upon examination also 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 Company 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.

Comprehensive Income

The Company reports comprehensive income in accordance with the accounting guidance related to FASB ASC 220, *Comprehensive Income*. FASB ASC 220 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes net unrealized gains (losses) on securities and is presented, net of tax, in the statements of comprehensive (loss) income.

Statement of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, due from banks and deposits with the FHLB. The Company considers all highly liquid debt instruments with original maturities of three months or less (excluding interest-bearing deposits in banks) to be cash equivalents.

Revenue from Contracts with Customers

The Company records revenue from contracts with customers in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when, or as, the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

The Company's primary sources of revenue are derived from interest, dividends and fees earned on loans, debt securities, and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are fixed. The Company has made no significant judgments in applying the revenue guidance prescribed in ASC 606 that affect the determination of the amount and timing of revenue from contracts with customers.

Reclassifications

Certain reclassifications may have been made to the 2022 financial statements to conform with the 2023 financial statement presentation. Such reclassifications had no effect on net income or retained earnings as previously reported.

Note 2 – Earnings Per Share

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

Earnings per common share were computed based on the following:

(in thousands, except per share data)	Year Ended December 31, 2023	2022
Numerator:		
Net (Loss) Income Available to Common Stockholders	$ (206)	$ 88
Denominator:		
Weighted Average Common Shares Outstanding	1,026	1,074
Less: Average Unallocated ESOP Shares	94	98
Weighted Average Shares	932	976
Basic Earnings Per Common Share	$ (0.22)	$ 0.09

Note 3 - Debt Securities -

The amortized cost and fair values of debt securities available-for-sale were as follows:

December 31, 2023: (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Mortgage-Backed Securities:				
FHLMC	$ 1,697	$ —	$ (236)	$ 1,461
SBA 7a Pools	3,015	3	(27)	2,991
Total Debt Securities Available-for-Sale	$ 4,712	$ 3	$ (263)	$ 4,452

December 31, 2022: (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Mortgage-Backed Securities:				
FHLMC	$ 1,990	$ —	$ (267)	$ 1,723
SBA 7a Pools	3,712	6	(24)	3,694
Total Debt Securities Available-for-Sale	$ 5,702	$ 6	$ (291)	$ 5,417

All debt securities held on December 31, 2023 and 2022 were government-sponsored mortgage-backed or SBA pool securities.

The amortized cost and fair values of the debt securities available-for-sale at December 31, 2023, by contractual maturity, are shown below. For mortgage-backed securities and SBA 7a pools, expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

December 31, 2023 (in thousands)	Available-for-Sale Amortized Cost	Available-for-Sale Fair Value
Amounts Maturing:		
After One Year through Five Years	$ 533	$ 531
After Five Years through Ten Years	2,418	2,370
After Ten Years	1,761	1,551
	$ 4,712	$ 4,452

No debt securities were pledged to secure advances from the FHLB as of December 31, 2023 and 2022.

There were no sales or calls of available-for-sale debt securities for the years ended December 31, 2023 or 2022.

Gross unrealized losses in debt 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, were as follows:

December 31, 2023 (in thousands) Security Description	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized (Losses)	12 Months or More Fair Value	12 Months or More Unrealized (Losses)	Totals Fair Value	Totals Unrealized (Losses)
Mortgage-Backed						
FHLMC	$ —	$ —	$ 1,461	$ (236)	$ 1,461	$ (236)
SBA 7a Pools	—	—	2,144	(27)	2,144	(27)
	$ —	$ —	$ 3,605	$ (263)	$ 3,605	$ (263)

December 31, 2022 (in thousands) Security Description	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized (Losses)	12 Months or More Fair Value	12 Months or More Unrealized (Losses)	Totals Fair Value	Totals Unrealized (Losses)
Mortgage-Backed						
FHLMC	$ 945	$ (89)	$ 778	$ (178)	$ 1,723	$ (267)
SBA 7a Pools	2,539	(24)	—	—	2,539	(24)
	$ 3,484	$ (113)	$ 778	$ (178)	$ 4,262	$ (291)

At December 31, 2023, approximately 87.9% of the securities in the investment portfolio reflect an unrealized loss. At December 31, 2023, eight debt securities with unrealized losses have declined approximately 6.3% from cost basis. These unrealized losses relate principally to current interest rates for similar types of securities and not credit quality.

Under ASC 326, management evaluates available-for-sale securities in unrealized loss positions to determine if the decline in the fair value of each security below its amortized cost basis is due to credit-related factors or noncredit-related factors. Consideration is given to the extent to which that fair value is less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period sufficient to allow for any anticipated recovery in fair value. At December 31, 2023, management does not have the intent to sell any of the Company’s securities in an unrealized loss position and believes that it is more likely than not that the Company will not have to sell any such securities before recovery of cost.

Prior to the adoption of ASC 326, management evaluated securities for other-than-temporary impairment and, as of December 31, 2022, no declines in fair value were deemed to be other-than temporary. See Note 1 for more information on the adoption of ASC 326.

Note 4 - Investment in FHLB Stock -

The Company maintains an investment in the membership stock of the Federal Home Loan Bank of Dallas. The carrying amount of this investment is stated at cost which was $1,545,000 and $1,469,000 at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Company meets the required level of FHLB stock. The stock is pledged as collateral against the advances from the FHLB.

Note 5 - Loans Receivable and the Allowance for Credit Losses -

Loans receivable at December 31, 2023 and December 31, 2022 are summarized as follows:

(in thousands)	**December 31, 2023**	**December 31, 2022**
Mortgage Loans		
1-4 Family	$ 80,238	$ 74,970
Multifamily	2,519	3,025
Construction and Land	1,143	5,626
Commercial Real Estate	1,380	1,431
Consumer Loans	191	199
	85,471	85,251
Plus (Less):		
Unamortized Loan Fees/Costs	1,382	1,443
Allowance for Credit Losses	(850)	(850)
Net Loans Receivable	$ 86,003	$ 85,844

The performing mortgage loans are pledged, under a blanket lien, as collateral securing advances from the FHLB at December 31, 2023 and 2022.

Management segregates the loan portfolio into portfolio segments which is defined as the level at which the Company develops and documents a systematic method for determining its allowance for credit losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate. The following tables set forth, as of December 31, 2023 and 2022, the balance of the allowance for credit losses by portfolio segment, disaggregated by impairment methodology. The allowance for credit losses 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.

Allowance for Credit Losses For the Year Ended December 31, 2023 (in thousands) under the CECL Methodology

	Mortgage-1-4 Family	Mortgage-Multifamily	Mortgage-Construction and Land	Mortgage-Commercial Real Estate	Consumer	Total
Allowance for Credit Losses:						
Beginning Balance	$ 762	$ 23	$ 44	$ 21	$ —	$ 850
Charge-Offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision (Credit)	35	(4)	(24)	(7)	—	—
Ending Balance	$ 797	$ 19	$ 20	$ 14	$ —	$ 850

The allowance for credit losses for Mortgage 1-4 Family Loans of $797,000 includes an unallocated portion of $190,000 as of December 31, 2023.

Allowance for Loan Losses and Recorded Investment in Loans Receivable For the Year Ended December 31, 2022 (in thousands) under the Incurred Loss Methodology

	Mortgage-1-4 Family	Mortgage-Multifamily	Mortgage-Construction and Land	Mortgage-Commercial Real Estate	Consumer	Total
Allowance for Loan Losses:						
Beginning Balance	$ 752	$ 21	$ 63	$ 22	$ —	$ 858
Charge-Offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision (Credit)	10	2	(19)	(1)	—	(8)
Ending Balance	$ 762	$ 23	$ 44	$ 21	$ —	$ 850
Ending Balance:						
Individually Evaluated for Impairment	$ —	$ —	$ —	$ —	$ —	$ —
Collectively Evaluated for Impairment	$ 762	$ 23	$ 44	$ 21	$ —	$ 850
Loans Receivable:						
Ending Balance	$ 74,970	$ 3,025	$ 5,626	$ 1,431	$ 199	$ 85,251
Ending Balance:						
Individually Evaluated for Impairment	$ —	$ —	$ —	$ —	$ —	$ —
Collectively Evaluated for Impairment	$ 74,970	$ 3,025	$ 5,626	$ 1,431	$ 199	$ 85,251

The allowance for loan losses for Mortgage 1-4 Family Loans of $762,000 includes an unallocated portion of $464,000 as of December 31, 2022.

Management further 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.

Loan Grades / Classification

The primary purpose of grading loans is to assess credit quality and assist in identifying potential problem loans. Every loan in the portfolio is assigned a loan grade based on quality and level of risk. Loan grades are updated as events occur that bear on the collectability of the loan, such as change in payment flow or status of the obligor or collateral. Changes in loan grades are reported to the Board Loan Committee.

Each credit reviewed is assigned a loan grade based on the following system:

Loan Grade 1 Pass – Good

Loans with no identified problems and do not require more than normal attention. The repayment source is well defined and the borrower/guarantor exhibits no inability of repaying the loan as agreed. The financial information is acceptable and the loan meets credit and policy requirements and exhibits no unusual elements of risk. The collateral is acceptable and adequate.

Loan Grade 2 Pass – Fair

These are performing owner-occupied loans that exhibit diminished borrower capacity, such as sufficiently-aged loans that are modified to borrowers experiencing financial difficulty or loans that are frequently delinquent more than 30 days but less than 60 days. Also included are performing investor loans with a good payment record but lack updated financial information but are judged from alternate sources to have satisfactory cash flows and a sufficiently strong guarantor.

Loan Grade 3 Watch

Owner-occupied loans that are well-secured but are occasionally delinquent more than 60 days but less than 90. Also included are performing investor loans lacking required current financial information or that demonstrate diminished guarantor capacity and an estimated stressed debt service coverage ratio of less than 1.20.

Loan Grade 4 Special Mention (For investment loans only.)

Investment loans that have potential or identified weaknesses that deserve management's close attention. If left uncorrected, these may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. These loans are not adversely classified and do not expose the institution to sufficient risk to warrant adverse classification. Default is not imminent.

Adverse Classifications

Loan Grade 5 Substandard

A loan that is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledge, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard.

Loan Grade 6 Doubtful

A loan that has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, based on existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.

Credit Quality Indicators - Credit Risk Profile Based on Loan Grades at December 31, 2023 (in thousands) by Vintage Year

	2023	2022	2021	Prior	Total
1 to 4 Family Mortgage Loans					
Pass	$ 5,176	$ 11,278	$ 26,502	$ 36,873	$ 79,829
Watch	—	—	—	409	409
Special Mention	—	—	—	—	—
Substandard	—	—	—	—	—
Total 1 to 4 Family Mortgage Loans	$ 5,176	$ 11,278	$ 26,502	$ 37,282	$ 80,238
Current Period Gross Charge-offs	$ —	$ —	$ —	$ —	$ —
Multifamily Mortgage Loans					
Pass	$ —	$ 1,051	$ —	$ 1,468	$ 2,519
Watch	—	—	—	—	—
Special Mention	—	—	—	—	—
Substandard	—	—	—	—	—
Total Multifamily Mortgage Loans	$ —	$ 1,051	$ —	$ 1,468	$ 2,519
Current Period Gross Charge-offs	$ —	$ —	$ —	$ —	$ —
Construction and Land Mortgage Loans					
Pass	$ 110	$ 682	$ 343	$ 8	$ 1,143
Watch	—	—	—	—	—
Special Mention	—	—	—	—	—
Substandard	—	—	—	—	—
Total Construction and Land Mortgage Loans	$ 110	$ 682	$ 343	$ 8	$ 1,143
Current Period Gross Charge-offs	$ —	$ —	$ —	$ —	$ —
Commercial Real Estate Mortgage Loans					
Pass	$ —	$ —	$ 1,380	$ —	$ 1,380
Watch	—	—	—	—	—
Special Mention	—	—	—	—	—
Substandard	—	—	—	—	—
Total Commercial Real Estate Mortgage Loans	$ —	$ —	$ 1,380	$ —	$ 1,380
Current Period Gross Charge-offs	$ —	$ —	$ —	$ —	$ —
Consumer Loans					
Pass	$ 3	$ —	$ —	$ 188	$ 191
Watch	—	—	—	—	—
Special Mention	—	—	—	—	—
Substandard	—	—	—	—	—
Total Consumer Loans	$ 3	$ —	$ —	$ 188	$ 191
Current Period Gross Charge-offs	$ —	$ —	$ —	$ —	$ —

Credit Quality Indicators - Credit Risk Profile Based on Loan Grades at December 31, 2022 (in thousands)

	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Mortgage Loans:						
1 to 4 Family	$ 74,970	$ —	$ —	$ —	$ —	$ 74,970
Multifamily	3,025	—	—	—	—	3,025
Construction and Land	5,626	—	—	—	—	5,626
Commercial Real Estate	1,431	—	—	—	—	1,431
Non-Mortgage Loans:						
Consumer	199	—	—	—	—	199
Total	$ 85,251	$ —	$ —	$ —	$ —	$ 85,251

At December 31, 2023 and 2022, there were no loan balances outstanding on non-accrual status. The Company considers loans more than 90 days past due and on nonaccrual as nonperforming loans.

At December 31, 2023 and 2022, the credit quality indicators (performing and nonperforming loans), disaggregated by class of loan, are as follows:

Credit Quality Indicators - Credit Risk Profile Based on Payment Activity at December 31, 2023 (in thousands)

	Performing	Non-Performing	Total
Mortgage Loans:			
1 to 4 Family	$ 80,238	$ —	$ 80,238
Multifamily	2,519	—	2,519
Construction and Land	1,143	—	1,143
Commercial Real Estate	1,380	—	1,380
Non-Mortgage Loans:			
Consumer	191	—	191
Total	$ 85,471	$ —	$ 85,471

Credit Quality Indicators - Credit Risk Profile Based on Payment Activity at December 31, 2022 (in thousands)

	Performing	Non-Performing	Total
Mortgage Loans:			
1 to 4 Family	$ 74,970	$ —	$ 74,970
Multifamily	3,025	—	3,025
Construction and Land	5,626	—	5,626
Commercial Real Estate	1,431	—	1,431
Non-Mortgage Loans:			
Consumer	199	—	199
Total	$ 85,251	$ —	$ 85,251

The following tables reflect certain information with respect to the loan portfolio delinquencies by loan class and amount as of December 31, 2023 and 2022. There was one loan in the amount of approximately

$48,000 over 90 days past due and still accruing as of December 31, 2023 and no loans over 90 days past due and still accruing as of December 31, 2022.

Aged Analysis of Past Due Loans Receivable at December 31, 2023 (in thousands)

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans Receivable
Mortgage Loans:						
1 to 4 Family	$ 430	$ 613	$ 48	$ 1,091	$ 79,147	$ 80,238
Multifamily	—	—	—	—	2,519	2,519
Construction and Land	49	—	—	49	1,094	1,143
Commercial Real Estate	—	—	—	—	1,380	1,380
Non-Mortgage Loans:						
Consumer	—	—	—	—	191	191
Total	$ 479	$ 613	$ 48	$ 1,140	$ 84,331	$ 85,471

Aged Analysis of Past Due Loans Receivable at December 31, 2022 (in thousands)

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans Receivable
Mortgage Loans:						
1 to 4 Family	$ —	$ 213	$ —	$ 213	$ 74,757	$ 74,970
Multifamily	—	—	—	—	3,025	3,025
Construction and Land	—	—	—	—	5,626	5,626
Commercial Real Estate	—	—	—	—	1,431	1,431
Non-Mortgage Loans:						
Consumer	—	—	—	—	199	199
Total	$ —	$ 213	$ —	$ 213	$ 85,038	$ 85,251

The following is a summary of information pertaining to impaired loans as of December 31, 2022.

Impaired Loans For the Year Ended December 31, 2022 (in thousands)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Mortgage Loans	$ —	$ —	$ —	$ —	$ —
Non-Mortgage Loans	$ —	$ —	$ —	$ —	$ —

The Company seeks to assist customers that are experiencing financial difficulty by renegotiating loans within lending regulations and guidelines. For the years ended December 31, 2023 and 2022, there were no concessions requested by or granted to any borrowers.

At the time of a restructuring, the loan is evaluated for an asset-specific allowance for credit losses. The Company continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. If a borrower subsequently defaults on the loan after it is restructured, the Company provides an allowance for credit losses for the amount of the loan that exceeds the value of the related collateral.

The Company had no restructurings and had none that defaulted subsequent to the restructuring through the date the financial statements were issued.

Note 6 - Accrued Interest Receivable -

Accrued interest receivable at December 31 is summarized as follows:

(in thousands)	2023	2022
Loans Receivable	$ 440	$ 426
Debt Securities	32	25
Interest-Bearing Deposits	20	2
	$ 492	$ 453

Note 7 - Premises and Equipment –

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

(in thousands)	2023	2022
Land	$ 166	$ 166
Buildings	974	974
Furniture, Fixtures and Equipment	557	550
Automobiles	123	123
	1,820	1,813
Less Accumulated Depreciation and Amortization	(1,202)	(1,143)
	$ 618	$ 670

Depreciation and amortization of premises and equipment amounted to $59,000 and $46,000 in 2023 and 2022, respectively.

Note 8 - Income Taxes -

Income tax expense for the years ended December 31 is summarized as follows:

(in thousands)	2023	2022
Income Taxes from Continuing Operations:		
Current	$ —	$ —
Deferred	—	—
Income Tax Expense	$ —	$ —

The following is a reconciliation between income tax expense based on federal statutory tax rates and income taxes reported in the Statements of (Loss) Income:

	2023		2022	
(in thousands)	Amount	%	Amount	%
Expected Income Tax (Benefit) Expense at Statutory Rate	$ (43)	21 %	$ 18	21 %
Tax Exempt Income	(19)	9 %	(18)	(21)%
Valuation Allowance for Deferred Tax Asset (Net Operating Loss)	62	(30)%	—	— %
	$ 0	0 %	$ 0	0 %

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 Company's deferred tax assets and liabilities as of December 31, 2023 and 2022, were as follows:

(in thousands)	**2023**	**2022**
Deferred Loan (Costs) Fees	$ (290)	$ (303)
Allowance for Credit Losses	133	133
Federal Home Loan Bank Stock	(105)	(89)
Deferred Retirement Agreements	52	60
Tax Carryforwards of Net Operating Losses	308	246
All Other Temporary Differences	210	199
	308	246
Valuation Allowance for Deferred Tax Asset (Net Operating Losses)	(308)	(246)
	—	—
Unrealized Losses on Securities Available-for-Sale	55	60
Net Deferred Tax Asset	$ 55	$ 60

Prior to 2020, a corporation could carry forward net operating losses generated in tax years beginning after December 31, 2017 indefinitely and could offset up to 80% of taxable income. To provide financial assistance and liquidity to taxpayers during the COVID-19 pandemic, the CARES Act amended the federal income tax rules with regard to the usage of net operating losses ("NOLs") for corporate taxpayers. The CARES Act allows for the carryback of losses arising in a taxable year beginning after December 31, 2017, and before January 1, 2021, to be carried back to each of the five taxable years preceding the taxable year of the loss. The CARES Act also temporarily repeals the 80% limitation for NOLs arising in tax years beginning after December 31, 2017 and beginning before January 1, 2021 and carried to another tax year. These NOLs are now permitted to fully offset the loss corporation's pre-2021 taxable income. For the years ended December 31, 2023 and 2022, Eureka Homestead Bancorp and Subsidiary generated $279,000 and $137,000 federal net operating losses, respectively. Losses prior to 2021 were available to carry back to previous tax years and the remaining amounts totaling $2.0 million are available for future use. Although these net operating loss carryforwards have no expiration date, we believe that it is more likely than not that the benefit from a portion of the net operating loss carryforwards will not be realized within a reasonable time period. In recognition of this risk, we have provided a valuation adjustment of $308,000 on the deferred tax asset related to these net operating loss carryforwards. If or when recognized, the tax benefits related to any reversal of the valuation allowance on the deferred tax asset will be accounted for as a reduction of income tax expense and an increase in equity. Neither Eureka Homestead nor Eureka Homestead Bancorp generated any net operating loss carryforwards for Louisiana.

Retained earnings at December 31, 2023 and 2022, include approximately $3,986,000 for which no deferred income tax liability has been recognized. These amounts represent an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carry back of net operating losses would create income for tax purposes only, which would be subject to the then current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $837,000 at December 31, 2023 and 2022.

The Small Business Protection Act of 1996 repealed Internal Revenue Code Section 593, which had allowed thrifts to use the percentage of income method as an alternative for computing their tax bad debt deductions. This act required small thrifts to change their method of computing reserves for bad debts to the experience method in accordance with the provisions of Internal Revenue Code Section 585. The repeal was effective for taxable years beginning after December 31, 1995. The Company implemented this change for the year ended December 31, 1996. As a result of the change, the Company is required to recapture the excess of the thrift's qualifying and non-qualifying bad debt reserves as of December 31, 1995 over its contracted base year reserves. The Company had no excess amounts subject to recapture.

In management's opinion, the reversal of temporary differences and the results of the future operations will generate sufficient earnings to realize the deferred tax assets at December 31, 2023 after taking into account the valuation reserves.

Note 9 - Deposits -

Deposits at December 31 are summarized below (in thousands):

	2023		2022	
	Amount	**%**	**Amount**	**%**
Passbook Savings	$ 1,823	2.8	$ 3,357	5.4
Money Market Accounts	158	0.2	183	0.3
Certificates of Deposit	63,210	97.0	58,680	94.3
	$ 65,191	100.0	$ 62,220	100.0

The weighted average interest rate on deposits at December 31, 2023 and 2022, was 2.33% and 1.51%, respectively.

Scheduled maturities and average interest rates of certificates of deposit at December 31, 2023 are summarized as follows (in thousands):

	Amount	Average Interest Rate %
2024	$ 17,851	2.817 %
2025	17,978	1.772 %
2026	12,642	1.859 %
2027	10,018	3.138 %
2028	2,280	3.761 %
Thereafter	2,441	2.283 %
	$ 63,210	2.392 %

The aggregate amount of time deposits with a denomination of greater than $250,000 was approximately $4,107,000 and $3,547,000 at December 31, 2023 and 2022, respectively. Generally, deposits in excess of $250,000 are not federally insured.

Interest expense on deposits for the years ended December 31 is summarized as follows:

(in thousands)	2023	2022
Passbook Savings	$ 5	$ 7
Money Market Accounts	—	1
Certificates of Deposit	1,182	745
	$ 1,187	$ 753

Note 10 - Advances from Federal Home Loan Bank (FHLB) -

The FHLB advances consist of the following obligations at December 31, 2023 and 2022 (in thousands):

Effective Interest Rate	2023	2022
Less than 1.00%	$ 4,000	$ 4,000
1.00% to 1.99%	4,000	4,000
2.00% to 2.99%	2,000	2,000
3.00% to 3.99%	8,770	9,244
4.00% to 4.99%	500	500
	$ 19,270	$ 19,744

The scheduled maturities of FHLB advances at December 31, 2023, are summarized as follows:

Due In	Amount (in thousands)
2024	$ 11,770
2025	4,000
2026	1,000
2027	1,500
Thereafter	1,000
	$ 19,270

These advances are collateralized by a blanket lien on all of the Company's mortgage loans and the investment in FHLB stock.

The Company has unused advances available with the FHLB with an additional borrowing capacity at December 31, 2023, of approximately $17.0 million.

Other available funding sources include an Unsecured Federal Funds Master Purchase Agreement with First National Bankers Bank for $6.6 million and from the Federal Reserve Bank's discount window and Bank Term Funding Program. At December 31, 2023 and December 31, 2022, these credit facilities were unused. To date, no debt securities have been pledged to the Federal Reserve Bank.

Note 11 - Employee Benefit Plans -

401(k) Plan

The Company sponsors a 401(k) profit sharing plan. Substantially all employees 21 years of age or older who have at least six months of service and have worked 1,000 hours during the year may participate in the plan through salary deferral contributions subject to the plan provisions. The Company makes matching contributions based on a percentage of each participant's contribution and may also make discretionary contributions to the plan. The Company matched 100% of the participant's salary deferral contribution up to 3% and 50% of the participant's salary deferral contribution of the next 2% of the participant's annual compensation for 2023 and 2022. The Company's contributions to the plan were approximately $43,000 and $52,000 for 2023 and 2022, respectively.

Pension Plan

The Company sponsors a defined contribution pension plan. Substantially all employees 21 years of age or older who have at least one year of service and are employed on the last day of the year may participate in the plan. The Company contributed 5.4% of the participant's annual compensation to the plan for 2023 and 2022. The Company's contributions to the plan were approximately $63,000 and $80,000 for 2023 and 2022, respectively.

The employees vest in the employer's contributions 20% a year after the first year in the plans and are fully vested at the completion of six years of service. The maximum combined employer contribution to both the 401(k) plan and the pension plan is 25% of the total annual compensation paid to each participant.

Employee Stock Ownership Plan

As part of the Company's stock conversion in 2019, an employee stock ownership plan ("ESOP") for eligible employees was established. The leveraged ESOP is accounted for in accordance with the requirements of ASC 718, *Compensation - Stock Compensation.* All employees of the Bank meeting certain tenure requirements are entitled to participate in the ESOP.

Shares were purchased by the ESOP with a loan from Eureka Homestead Bancorp, Inc. The ESOP acquired 114,374 shares of the Company's common stock in the conversion. During each of the years ended December 31, 2023 and 2022, 4,575 shares were allocated to ESOP plan participants, leaving 91,499 unallocated shares in the ESOP at December 31, 2023. Compensation expense related to the ESOP was $62,000 for the year ended December 31, 2023 and $70,000 for the year ended December 31, 2022.

The stock price at the formation date was $10.00. The aggregate fair value of the 91,499 unallocated shares was $1,551,000 based on the $16.95 closing price of the common stock on December 31, 2023.

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

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

Equity Incentive Plan

In August 2020, the Company's stockholders authorized the adoption of the 2020 Eureka Homestead Bancorp, Inc. Equity Incentive Plan (the "2020 Plan" or the "Plan"). No more than 200,154 shares of the Company's common stock may be issued under the Plan, of which a maximum of 142,967 may be issued pursuant to the exercise of stock options and 57,187 may be issued pursuant to restricted stock awards, restricted stock units and unrestricted share awards. Stock options awarded to employees may be incentive stock options or non-qualified stock options. The shares that may be issued may be authorized but unissued shares or treasury shares. The Plan permits the grant of incentive awards in the form of options, stock appreciation rights, restricted share and share unit awards, and performance share awards. The 2020 Plan contains limits on certain types of awards to individual participants.

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

On December 21, 2021, the Company made a grant of restricted shares for 3,225 shares, to a member of Management. The award vests over a three-year period.

Restricted Shares

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

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

	Restricted Stock Awards	Weighted Average Fair Value at Grant Date
Non-vested at January 1, 2023	2,150	$ 13.95
Granted	—	—
Vested	(1,075)	13.95
Forfeited	—	—
Non-vested at December 31, 2023	1,075	$ 13.95

As of December 31, 2023, the Company had $15,000 of unrecognized compensation expense related to restricted shares, having recognized $15,000 of compensation expense in each of the years ended December 31, 2023 and 2022. The cost of the restricted shares will be amortized in monthly installments over the three-year vesting period

Other Retirement Agreements

The Company has entered into retirement agreements with certain directors. Under the director agreements, after ten years in the plan and attaining the age of 75, the Company is to provide to each director the sum of $120,000 payable over a period of 10 years. (This benefit would be paid to the director’s beneficiaries in a lump sum upon the director’s death.).

The estimated present value of future benefits to be paid is being accrued over the period from the effective date of the agreements until the dates payments are expected to expire. The expense incurred for this plan for the years ended December 31, 2023 and 2022, amounted to approximately $25,000 and $28,000, respectively. The accrued liability at December 31, 2023 and 2022, amounted to approximately $260,000 and $297,000, respectively.

The Company is the beneficiary of life insurance policies, with death benefits totaling approximately $7,123,000 and $7,246,000 at December 31, 2023 and 2022, respectively that have been purchased as a method of financing benefits under the agreements.

In 2023 the Company received a net benefit of approximately $25,000 due to the death of one of the directors. This benefit was recorded in service charges and other income in the Income Statement for the year ended December 31, 2023.

Split Dollar Life Insurance

The Company entered into a split dollar life insurance agreement on March 1, 2019 with each of Messrs. Haskins and Heintzen to recognize the valuable services of the executives and to encourage them to continue in service with the Company. The split-dollar agreements divide the death proceeds of certain life insurance policies owned by the Company on the lives of the executives with their designated beneficiaries. The Company paid the life insurance premiums on the policies from its general assets. Under the agreements, Messrs. Haskins and Heintzen or their assignees have the right to designate the beneficiary an amount of death proceeds. Upon either executive's death, his beneficiary will be entitled to a benefit equal to the lesser of $700,000 or the net death proceeds from the policies. The net death proceeds portion is the total death proceeds paid under the policy less the greater of the policy's cash surrender value or the aggregate premiums paid by the Company on the policy. Each executive's interest in the split-dollar agreement terminates under certain circumstances, including the executive's cessation of all service with the Company.

Note 12 - Regulatory Matters -

The Bank is subject to various regulatory capital requirements administered by its primary Federal regulator, the Office of the Comptroller of the Currency (OCC). Failure to meet the minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank and the financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory reporting requirements. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as of January 1, 2015, of total capital, tier 1 capital, and common equity tier 1 capital to risk-weighted assets (as defined in the regulations), and leverage capital, which is tier 1 capital to adjusted average total assets (as defined). Management believes, as of December 31, 2023 and 2022, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2023 and 2022, the most recent notifications from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total capital, common equity tier 1 capital, tier 1 capital, and leveraged capital ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's category. The Bank's actual and required capital amounts and ratios are as follows:

December 31, 2023:	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital						
(to Risk Weighted Assets)	$ 19,804	38.65 %	$ 4,099	8.00 %	$ 5,123	10.00 %
Tier 1 Capital						
(to Risk Weighted Assets)	$ 19,162	37.40 %	$ 3,074	6.00 %	$ 4,099	8.00 %
Common Equity Tier 1 Capital						
(to Risk Weighted Assets)	$ 19,162	37.40 %	$ 2,305	4.50 %	$ 3,330	6.50 %
Tier 1 Leverage Capital						
(to Adjusted Total Assets)	$ 19,162	18.33 %	$ 4,181	4.00 %	$ 5,226	5.00 %

December 31, 2022:	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital						
(to Risk Weighted Assets)	$ 19,974	36.63 %	$ 4,362	8.00 %	$ 5,453	10.00 %
Tier 1 Capital						
(to Risk Weighted Assets)	$ 19,291	35.38 %	$ 3,272	6.00 %	$ 4,362	8.00 %
Common Equity Tier 1 Capital						
(to Risk Weighted Assets)	$ 19,291	35.38 %	$ 2,454	4.50 %	$ 3,544	6.50 %
Tier 1 Leverage Capital						
(to Adjusted Total Assets)	$ 19,291	18.44 %	$ 4,184	4.00 %	$ 5,230	5.00 %

A reconciliation of the Bank's capital determined under GAAP to Total Capital, Tier 1 Capital, Common Equity Tier 1 Capital and Tier 1 Leverage Capital for December 31, 2023 and 2022, was as follows:

(in thousands)	December 31, 2023	December 31, 2022
Total Equity (Bank Only)	$ 18,957	$ 19,066
Unrealized Losses (Gains) on Securities		
Available-for-Sale, Net	205	225
Tangible, Tier 1 Capital and Common Equity Tier 1	19,162	19,291
Allowance for Credit Losses Included in Capital	642	683
Total Capital	$ 19,804	$ 19,974

The specific reserves included in the Allowance for Credit Losses were not significant as of December 31, 2023 and 2022.

Note 13 - Related Party Transactions –

In the ordinary course of business, the Company has granted loans to certain directors and officers. Such loans were made on substantially the same terms as those prevailing at the time for comparable transactions with other persons.

Activity in loans to directors and officers is as follows:

(in thousands)	2023	2022
Balance at Beginning of Year	$ 126	$ 130
Add: New Loans or Advances	575	—
Less: Payments	(580)	(4)
Balance at End of Year	$ 121	$ 126

The Company also has accepted deposits from certain directors and officers. Such deposits were accepted on substantially the same terms as those of other depositors and amounted to approximately $715,000 and $692,000 at December 31, 2023 and 2022, respectively.

Note 14 - Leases

The Company recognizes a ROU asset and lease liability of approximately $13,000 and $64,000 at December 31, 2023 and 2022, respectively, and are reflected in Prepaid Expenses and Other Assets and Accrued Expenses and Other Liabilities, respectively.

In 2009, the Company entered into an operating lease pertaining to property used for a loan production office. The lease had an original term of three years, beginning April 15, 2009 and expiring March 31, 2012, with the option to extend the lease for six additional three-year periods. The Company exercised this option only through March 31, 2024.

Lease payments per the agreement are approximately $4,000 per month and increase at each renewal period the greater of 10% or the Consumer Price index (CPI). Lease payments that were applied to the lease liability totaled approximately $51,000. The weighted-average remaining lease term in years is 0.25. The weighted average discount rate is 5.07%.

Total rental expense was approximately $53,000 and $53,000 for the years ended December 31, 2023 and 2022, respectively.

A maturity analysis of the lease liability and reconciliation of the undiscounted cash flows to the lease liability is as follows:

Year Ended December 31,	Amount
(in thousands)	
2024	$ 13
2025	—
Total Undiscounted Cash Flows	13
Discount on Cash Flows	—
Total Lease Liability	$ 13

Note 15 – Commitments and Contingencies –

In the ordinary course of business, the Company has various outstanding commitments that are not reflected in the accompanying financial statements.

On January 1, 2023 and at adoption of ASC 326, the Company did not record any allowance for credit losses on unfunded lending commitments. Refer to Note 1 for more information on the adoption of ASC 326. The allowance for credit losses on unfunded lending commitments is recorded within Accrued

Expenses and Other Liabilities on the Balance Sheets. There was no related provision for credit losses for unfunded lending commitments recorded with the provision for credit losses and reported in aggregate as the provision for credit losses on the Statements of (Loss) Income. At December 31, 2023, there was no allowance for credit losses for unfunded lending commitments. Total unfunded lending commitments amounted to $438,000 and $3.4 million at December 31, 2023 and December 31, 2022, respectively.

Note 16 - Financial Instruments with Off-Balance-Sheet Risk -

In the normal course of business, the Company has outstanding commitments, such as commitments to extend credit, which are not included in the accompanying financial statements. The Company'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 Company uses the same credit policies in making such commitments as it does for instruments that are included in the Balance Sheets.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation.

At December 31, 2023 and December 31, 2022, the Company had $438,000 and $3.4 million of outstanding commitments to originate loans, respectively, all of which represent the balance of remaining funds to be disbursed on construction loans in process. In recent years we have sold loans on an industry-standard, servicing-released basis. At December 31, 2023, there were mortgage loans sold to investors with limited recourse for certain periods after the date of sale totaling $1.5 million at the sale date. Recourse would apply if the borrower(s) default on any payment within the first four months of the mortgage loan and it remains in default for a period of 90 days, or if the mortgage loan prepays in full within 180 days of the sale date. Should an early payment default occur, the Company shall, at its sole discretion, repurchase such mortgage loan from the purchaser at its current amortized balance plus the service release premium received or indemnify the purchaser by paying the service release premium received plus $5,000. Should a mortgage loan prepay in full within 180 days of the sale date, the Company shall refund to the purchaser the servicing release premium paid. There have been no mortgage loans sold that had an early payment default or that prepaid in full during the recourse period.

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management and counsel, the disposition or ultimate resolution of such proceedings would not have a material adverse effect on the Company's financial statements.

Note 17 - Significant Concentration of Credit Risk –

The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage under defined limits. The Company maintains cash balances at various financial institutions which may periodically exceed the federally insured amount.

Most of the Company's lending activity is represented by loans receivable secured principally by first mortgages on real estate located within Louisiana. Additionally, the substantial portion of the real estate upon which the Company has extended credit is on residential properties; however, the Company has extended credit on non-residential properties.

Note 18 - Fair Values of Financial Instruments -

Fair Value Disclosures

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820, *Fair Value Measurements*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments.

In cases where quoted market prices are not available, fair values are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

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. 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); and
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.

Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

However, the reporting entity's own data used to develop unobservable inputs shall be adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Recurring Basis

Fair values of debt securities 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 balances of assets measured on a recurring basis as of December 31, 2023 and 2022. The Company did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

December 31, 2023: **(in thousands)**	**Fair Value**	**Fair Value at Reporting Date Using** Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-Backed Securities				
FHLMC	$ 1,461	$ —	$ 1,461	$ —
SBA 7a Pools	2,991	—	2,991	—
Total Debt Securities	$ 4,452	$ —	$ 4,452	$ —

December 31, 2022: **(in thousands)**	**Fair Value**	**Fair Value at Reporting Date Using** Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-Backed Securities				
FHLMC	$ 1,723	$ —	$ 1,723	$ —
SBA 7a Pools	3,694	—	3,694	—
Total Debt Securities	$ 5,417	$ —	$ 5,417	$ —

Non-recurring Basis

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

The fair value of the impaired loans is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans are Level 2 assets measured using appraisals from external parties of the collateral less any prior liens. Repossessed assets are initially recorded at fair value less estimated costs to sell.

The fair value of repossessed assets is based on property appraisals and an analysis of similar properties available. As such, the Company records repossessed assets as Level 2.

December 31, 2023: **(in thousands)**	**Fair Value**	**Fair Value at Reporting Date Using** Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Impaired Loans	$ —	$ —	$ —	$ —
Other Real Estate	—	—	—	—
Total	$ —	$ —	$ —	$ —

December 31, 2022: **(in thousands)**	**Fair Value**	**Fair Value at Reporting Date Using** Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Impaired Loans	$ —	$ —	$ —	$ —
Other Real Estate	—	—	—	—
Total	$ —	$ —	$ —	$ —

FASB ASC 825, *Financial Instruments*, requires disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the balance sheet. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The derived fair value estimates cannot be substantiated through comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. FASB ASC 825 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Further, the disclosures do not include estimated fair values for items which are not financial instruments but which represent significant value to the Company, including core deposit intangibles and other fee-generating operations of the business. Reasonable comparability of fair value estimates between financial institutions may not be possible due to the wide range of permitted valuation techniques and numerous assumptions involved. The aggregate fair value amounts presented do not, and are not intended to, represent an aggregate measure of the underlying fair value of the Company.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Interest-Bearing Deposits - The carrying amount is a reasonable estimate of fair value.

Debt securities - For debt securities, fair value equals 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 - The fair value of loans is estimated using discounted cash flow analyses, using the interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Loans Held-for-Sale - The loans held-for sale are recorded at the lower of aggregate cost or market value which is a reasonable estimate of fair value.

FHLB Stock - The carrying amount is a reasonable estimate of fair value.

Cash Surrender Value of Life Insurance - The carrying amount is a reasonable estimate of fair value.

Accrued Interest Receivable and Accrued Interest Payable - The carrying amounts of accrued interest receivable and accrued interest payable approximate the fair values.

Deposits - The fair value of savings accounts and certain money market deposits is the amount payable on demand at the reporting date (carrying value). The fair value of fixed maturity certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities.

Advances from the FHLB - The fair values of the Advances from the FHLB are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Loan Commitments - For commitments to extend credit, fair value considers the difference between current levels of interest rates and the committed rates.

The estimated fair values of the Company's financial instruments were as follows as of December 31, 2023 and 2022 (in thousands):

	December 31, 2023		**December 31, 2022**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets:				
Cash and Cash Equivalents	$ 2,253	$ 2,253	$ 3,650	$ 3,650
Interest-Bearing Deposits in Banks	5,493	5,493	1,249	1,249
Debt Securities, Available for Sale	4,452	4,452	5,417	5,417
Loans - Net	86,003	79,937	85,844	77,483
Loans Held-for-Sale	—	—	—	—
Accrued Interest Receivable	492	492	453	453
FHLB Stock	1,545	1,545	1,469	1,469
Cash Surrender Value of Life Insurance	4,303	4,303	4,312	4,312
Financial Liabilities:				
Deposits	65,191	62,289	62,220	60,756
Advances from FHLB	19,270	18,707	19,744	18,622
Accrued Interest Payable	50	50	40	40

The carrying amounts in the preceding table are included in the balance sheet under the applicable captions; accrued interest payable is included in accrued expenses and other liabilities in the balance sheet. The contract or notional amounts of the Company's financial instruments with off balance sheet risk are disclosed in Note 16.

Note 19 - Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 19, 2024, the date the financial statements were available to be issued.

Note 20 - Pending Merger -

On August 3, 2023, the Company entered into an agreement ("Merger Agreement") with Eureka Investor Group, Inc. ("EIG"), a newly formed corporation headed by experienced bank investors, to be acquired by EIG.

The Merger Agreement, which has been unanimously adopted by the boards of the Company and Eureka Investor Group, provides for cash merger consideration equal to $13.0 million. In addition, immediately prior to closing the Company will be permitted, subject to regulatory approval, to pay a dividend equal to an amount by which the Company's adjusted tangible shareholders' equity, as defined in the Merger Agreement, exceeds $10.0 million. Under the terms of the Merger Agreement, the Company's adjusted tangible shareholders' equity is generally defined as the Company's GAAP equity prior to closing subject to negative adjustments for, among other items, transaction expenses and certain allowance for credit losses adjustments.

The transaction was approved by the Company's shareholders at a special meeting of shareholders on February 21, 2024 and is pending regulatory approvals from the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency. It is anticipated that this transaction will close in the second or third quarter of 2024.

Transaction-related expenses totaled approximately $386,000 and $133,000 for the years ended December 31, 2023 and 2022, respectively.

Note 21 – Change in Corporate Form -

On July 9, 2019, Eureka Homestead (the "Bank") converted to a federal stock savings and loan association and established a stock holding company, Eureka Homestead Bancorp, Inc. (the "Company"), as parent of the Bank.

In connection with the conversion, the Bank issued all of its common stock to the Company, becoming the wholly owned subsidiary of the Company, and the Company issued and sold shares of its capital stock pursuant to an independent valuation appraisal of the Bank and the Company. The stock was priced at $10.00 per share. In addition, the Bank's board of directors adopted an employee stock ownership plan (ESOP) which subscribed for 8% of the common stock sold in the offering. The Conversion was completed on July 9, 2021 and resulted in the issuance of 1,429,676 common shares by the Company. The cost of the Conversion and issuing the capital stock totaled $1.2 million and was deducted from the proceeds of the offering.

In accordance with OCC regulations, at the time of the Conversion, the Bank substantially restricted retained earnings by establishing a liquidation account. The liquidation account will be maintained for the benefit of eligible account holders who continue to maintain their accounts at the Bank after the Conversion. The liquidation account will be reduced annually to the extent that eligible holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation by the Bank, and only in such event, each eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held. The Bank may not pay dividends if those dividends would reduce equity capital below the required liquidation account amount.

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

Note 22 - Condensed Financial Information (Parent Company Only) -

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

CONDENSED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(in thousands)

	2023	2022
ASSETS		
Cash in Bank	$ 286	$ 265
Investment in Subsidiary	18,957	19,066
Other Assets	27	19
Total Assets	$ 19,270	$ 19,350
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities	$ 64	$ 35
Shareholders' Equity	19,206	19,315
Total Liabilities and Shareholders' Equity	$ 19,270	$ 19,350

CONDENSED STATEMENTS OF (LOSS) INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2023

(in thousands)

	2023	2022
Income:		
Equity in Net Income of Subsidiary	$ 309	$ 380
Total Income	309	380
Expenses:		
Professional Fees	412	175
Other Expense	161	158
Total Expenses	573	333
(Loss) Income Before Income Tax (Benefit)	(264)	47
Income Tax (Benefit)	(58)	(41)
Net (Loss) Income	$ (206)	$ 88

CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands)

	2023	2022
Cash Flows from Operating Activities:		
Net (Loss) Income	$ (206)	$ 88
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Cash Provided by (Used in) Operating Activities:		
Non-cash Compensation for ESOP	77	81
Decrease in Equity in Net Income of Subsidiary	129	169
(Increase) in Other Assets	(8)	(19)
Increase in Liabilities	29	8
Net Cash Provided by Operating Activities	21	327
Cash Flows from Investing Activities:		
Net Cash from Investing Activities	—	—
Cash Flows from Financing Activities:		
Shares Repurchased	—	(2,450)
Net Cash (Used in) Financing Activities	—	(2,450)
Net Increase (Decrease) in Cash and Cash Equivalents	21	(2,123)
Cash and Cash Equivalents at Beginning of Period	265	2,388
Cash and Cash Equivalents at End of Period	$ 286	$ 265