

CENTURY NEXT

FINANCIAL CORPORATION

2023 Annual Report

CENTURY NEXT

FINANCIAL CORPORATION

To Our Shareholders:

As we entered 2023, our expectations were focused intently on certain key goals. These goals included 1) building on growth opportunities, 2) continuing to expand and deepen our customer base, 3) investing in our communities, and 4) increasing shareholder value.

Our team efforts toward the achievement of these goals resulted in the most successful year financially in the history of our Company.

Building on Growth Opportunities

Assets increased by 19.0% including growth in cash and cash equivalents, investment securities, and loans. Deposits increased by 21.4%, and net income was up 29.3%.

For the year ended December 31, 2023, net income was \$6.75 million compared to \$5.22 million in 2022. Earnings per share were \$3.77 basic and diluted compared to \$2.94 basic and diluted in 2022.

Our net interest income improved in 2023 by 13.9% or \$3.1 million over 2022 as the rise in interest rates steadied in mid-2023. Non-interest income declined by 8.9% or \$324,000 as mortgage activity continued to slow in 2023 with higher rates. Non-interest expense (NIE) increased 8.1% or \$1.48 million, but NIE efficiency ratio measuring NIE to total income improved from to 69.6% in 2023 from 71.2% in 2022.

Continuing to Expand and Deepen Our Customer Base

In Louisiana, our customer base in Lincoln and Ouachita Parishes and the surrounding areas expanded with loans growing by 11.4% or \$48.6 million and deposits growing by 29.8% or \$121.3 million. The robust deposit growth increased our liquidity position and helped to reduce our dependence on noncore funding down to just 1.28% of total deposits or \$6.76 million.

In Arkansas, loans increased by \$893,000 or 0.8% and deposits declined by 1.6% or \$2.5 million. Although deposit rates increased due to the higher interest rate environment, most of the decrease in deposits was from normal customer activity. The Arkansas market continues to maintain a strong deposit base.

Investing in Our Communities

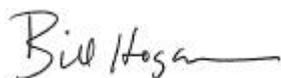
Century Next Bank, our subsidiary bank, continues the trend of community involvement through our community partners in North Central Louisiana and Southeast Arkansas. Enhancing the quality of life through these partnerships is of great importance to our directors, leadership and staff.

We enter 2024 with a strong sense of responsibility to our communities and providing quality banking services as we strive to serve both business and personal customers and do our part to help enhance a strong economic environment.

Increasing Shareholder Value

The financial strength we experienced in the latter half of 2023 has provided a strong base as we start 2024 and will allow us to build on synergies in motion to provide the opportunity for strong results once again. We will continue to focus on the key drivers as mentioned above to strengthen our position both financially and strategically with the anticipation of providing a healthy return for shareholders.

Thank you for allowing us to service you, our shareholders, and for supporting us as we look for more opportunities to build and strengthen our growing regional presence in the year ahead.



William D. Hogan
President and Chief Executive Officer
Century Next Financial Corporation

CENTURY NEXT
FINANCIAL CORPORATION

Board of Directors

William D. Hogan
President and Chief Executive Officer
Century Next Financial and Century Next Bank

Michael S. Coyle, Esq.
Attorney at Law

Michael L. DuBos, Esq.
Attorney - Partner
Breithaupt, DuBos & Wolleson Law Firm

Bartlett H. Dugdale, CPA
Managing Principal, Local General Insurance Agency

J. Brandon Ewing
Owner, Ewing Timber, LLC

Herbert R. Hutchison
Property Management & Real Estate Investments

Jeffrey P. McGehee
Entrepreneur and Owner, Wholesale Distributer Business

Dan O'Neal, III
Owner, Ruston Exterminating, Inc. and Local Real Estate Developer

Charles M. Pope
Retired, Pope Auto Supply, Inc.

Scott R. Thompson
Chairman of the Board
Owner, ETC, LLC and Local Real Estate Developer

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Board of Directors, continued

J. Neal Walpole
Chairman of the Audit Committee
President - Walpole Tire Service

Michael F. Webb
President - Ideal Construction Company

Benjamin L. Denny
Director Emeritus - Retired President and CEO
Bank of Ruston and Century Next Financial Corporation

James H. Hall
Director Emeritus
Retired Chief Credit Officer
Bank of Ruston

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FINANCIAL CORPORATION

Ashley County-Bank Advisory Board

Philip E. Barnes
Partner/Manager Timber Products, LLC

W. Gary Brannon
Executive Vice President – Lending
Century Next Bank

Crystal G. Marshall
Mayor, City of Crossett

John E. McGoogan
Retired Lucent Technology

Douglas W. Reed
Owner, Arquin Group, Inc.

Dr. David Streeter
Mayor, City of Hamburg

Dr. Benjamin J. Walsh
President and Staff Physician
Family Clinic of Ashley County Chairman

Lori B. Walsh
Vice President and Senior Consultant, MedAxiom

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Ouachita Parish-Bank Advisory Board

Mark Kent Anderson
Executive Vice President Sales & Marketing
Mid-South Extrusion

Wes Bass
Owner, WL Bass Construction Company

Misti Cordell
Physicians Liaison & Accounts Manager
St. Francis Medical Center

Joey Trappey
Owner, Fieldhouse And Trapp's Restaurants

Todd Little
Principal Owner, Little and Associates, LLC

Dr. Mark Napoli
Cardiologist Complete Cardiovascular Center of Monroe

David Sorrell
Owner, RELEE Properties and Partner of Blue Group

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FINANCIAL CORPORATION

Executive Management

William D. Hogan	President & Chief Executive Officer
Layne Weeks	Executive Vice President – Chief Credit Officer
Mark A. Taylor, CPA CGMA	Executive Vice President – Chief Financial Officer/Chief Risk Officer
Lorie Hamlin	Executive Vice President – Chief Operations Officer/Chief Security Officer
Gary Brannon	Executive Vice President – Lending
Nicholas Austin	Market President – Arkansas Division
Bill Willson	Market President – Ouachita Parish

Officers of Century Next Bank

Toni Bacon	Senior Vice President – Commercial Lender
Mitsy Huffstetler	Senior Vice President – Chief Compliance Officer/Assistant Risk Officer
Carla Raborn	Senior Vice President – Human Resources
Tammy Walsworth	Senior Vice President – Loan Administration
Matthew L. Winkelpleck	Senior Vice President – Lending
Courtne G. Beach	Vice President – Branch Manager/Lender
Sheri Burt	Vice President – Lending
Lauren A. Butler	Vice President – Credit Analysis Manager
Kellie Coulter	Vice President – Operations Mgr.
Lee Denny	Vice President – Branch Manager
Lindsey Duplantis	Vice President – Human Resources
Melissa Foster	Vice President – Deposit Operations Compliance
Angie Johnson	Vice President – Senior Commercial Lender
Connie Kelley	Vice President – Commercial Lender/Mortgage
Christy Martin	Vice President – Branch Manager/Retail Lender

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Officers of Century Next Bank-Continued

Amanda P. Parker	Vice President – Information Technology
Alan D. Roberson	Vice President – Controller/Corporate Secretary
Cindy Smith	Vice President – Lending
Mallory Taylor	Vice President – Finance
Gretchen Tiser	Vice President – Credit Services
John Tompkins	Vice President – Lending/Administration
Nate Trisler	Vice President – Training Coordinator
Heather Walsworth	Vice President – Retail Banking
Alex Webre	Vice President – Commercial Lending
Michael Wilkes	Vice President – Compliance
Charles Young	Vice President – Compliance, Assistant BSA Officer

CENTURY NEXT
FINANCIAL CORPORATION

Community Involvement

Century Next Bank is committed to serving our community and enhancing the quality of life locally. We are proud to serve alongside our community partners in North Central Louisiana & Southeast Arkansas.

*Armadillo Festival
Boys and Girls Clubs
Buddy Ball
Cancer Foundation League
Chambers of Commerce
Coastal Conservation Association
CASA
Crossett City Pool
Crossett Rodeo
Domestic Abuse Resistance Team
First Responders
Keep Ouachita Beautiful
Local School Districts
Louisiana Peach Festival
Louisiana Tech University
MedCamps of Louisiana
Museums and Historical Societies
North LA Celtic Festival
North LA Economic Partnership
OWL Center
Ronald McDonald House
Rotary Clubs
Ruston Farmers Market
St. Jude's Research Hospital
Summer Ball Initiatives
United Way
University of Louisiana at Monroe
Visual and Performing Arts Organizations
West Monroe Farmers Market
Wiggins Cabin Festival
Zion Traveler CDC*

And many, many more!

CENTURY NEXT

FINANCIAL CORPORATION

Company Information

Century Next Financial Corporation is the holding company for Century Next Bank (the “Bank”) which conducts business from its main office in Ruston, Louisiana. The Company was formed in 2010 and is subject to the regulatory oversight of the Board of Governors of the Federal Reserve System. The Bank is a wholly-owned subsidiary and is an insured federally-chartered covered savings association subject to the regulatory oversight of the Office of the Comptroller of the Currency. The Bank was established in 1905 and is headquartered in Ruston, Louisiana. The Bank is a full-service bank with four locations in Louisiana including two banking offices in Ruston, one banking office in Monroe, one banking office in West Monroe, and three locations in Arkansas including two banking offices in Crossett, and one banking office in Hamburg. The Bank emphasizes professional and personal banking service directed primarily to small and medium-sized businesses, professionals, and individuals. The Bank provides a full range of banking services including its primary business of real estate lending to residential and commercial customers.

The corporate headquarters are located at 505 North Vienna Street, Ruston, Louisiana 71270.

The common stock of Century Next Financial Corporation publicly trades on the OTC Markets Group’s OTCQX Best Market under the symbol CTUY.



BANKING LOCATIONS

LOUISIANA

505 North Vienna Street
Ruston, Louisiana 71270
(318) 255-3733

2109 Farmerville Highway
Ruston, Louisiana 71270
(318) 255-3733

2450 Tower Drive
Monroe, Louisiana 71201
(318) 812-2265

1701 North 7th Street
West Monroe, LA 71291
(318)460-1960

Website: www.cnext.bank

ARKANSAS

218 Main Street
Crossett, Arkansas 71635
(870) 364-1300

1218 Hwy 133 North
Crossett, Arkansas 71635
(870) 364-2125

603 N. Main Street
Hamburg, Arkansas 71646
(870) 853-8200

CENTURY NEXT
FINANCIAL CORPORATION

Financial Highlights

Selected Financial Data:

(data in thousands)

	At December 31,		
	2023	2022	2021
Total Assets	\$ 765,850	\$ 643,318	\$ 553,470
Cash and cash equivalents	104,961	42,410	72,112
Securities available-for-sale	34,023	23,910	10,008
Securities held-to-maturity	2,047	2,231	2,443
FHLB stock and other investments	2,076	1,980	1,963
Total net loans	587,213	537,932	437,307
Total deposits	680,112	560,383	474,479
Short-term borrowings including FHLB Advances	-	6,000	-
Long-term borrowings including FHLB Advances	8,454	8,454	14,454
Total equity	71,893	64,504	60,308

**For the Year Ended
December 31,**

Selected Operating Data:

	2023	2022	2021
Interest income	\$ 38,505	\$ 26,964	\$ 24,337
Interest expense	13,461	4,972	2,545
Net interest income before provision for credit losses	25,044	21,992	21,792
Provision for credit losses	262	504	2,095
Net interest income after provision for credit losses	24,782	21,488	19,697
Non-interest income	3,311	3,635	3,830
Non-interest expense	19,723	18,242	17,275
Income before income taxes	8,370	6,881	6,252
Income taxes	1,618	1,658	1,473
Net income	<u>\$ 6,752</u>	<u>\$ 5,223</u>	<u>\$ 4,779</u>

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FINANCIAL CORPORATION

Financial Highlights (continued)

	At or For the Year Ended		
	December 31,		
	2023	2022	2021
Select Operating Ratios:⁽¹⁾			
Average yield on interest-earning assets	5.69%	4.64%	4.75%
Average rate on interest-bearing liabilities	2.91%	1.08%	0.64%
Average interest rate spread ⁽²⁾	2.78%	3.56%	4.11%
Net interest margin ⁽²⁾	3.70%	3.78%	4.25%
Average interest-earning assets to average interest-bearing liabilities	146.48%	125.80%	128.45%
Net interest income after provision for credit losses to non-interest expense	125.65%	117.79%	114.02%
Total non-interest expense to average assets	2.78%	2.98%	3.18%
Efficiency ratio ⁽³⁾	69.56%	71.18%	67.42%
Return on average assets	0.95%	0.85%	0.88%
Return on average equity	10.04%	8.38%	8.27%
Average equity to average assets	9.49%	10.17%	10.64%
Asset Quality Ratios:⁽⁴⁾			
Non-performing loans as a percent of total net loans ⁽⁵⁾	0.42%	0.15%	0.26%
Non-performing assets as a percent of total assets ⁽⁵⁾	0.38%	0.25%	0.21%
Allowance for credit losses to total loans	1.02%	1.07%	1.18%
Allowance for credit losses as a percent of non-performing loans	246.94%	705.66%	469.11%
Net charge-offs to average total loans	0.00%	-0.01%	0.32%
Capital Ratios:⁽⁶⁾			
Total Capital	14.31%	14.66%	17.00%
Tier 1 Capital	13.26%	13.52%	15.69%
Common Equity Tier 1 Capital	13.26%	13.52%	15.69%
Leverage Capital	10.28%	10.71%	11.43%
Asset Growth	19.0%	16.2%	7.5%
Loan Growth	9.2%	23.0%	4.0%
Deposit Growth	21.4%	18.1%	7.6%
Net Income Growth	29.3%	9.3%	-8.3%
Other Data:			
Banking offices	7	7	8

(1) With the exception of end of period ratios, all ratios are based on average monthly balances during the indicated periods.

(2) Average interest rate spread represents the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities, and net interest margin represents net interest income as a percent of average interest-earning assets.

(3) The efficiency ratio represents the ratio of non-interest expense divided by the sum of net interest income and non-interest income.

(4) Asset quality ratios are end of period ratios, except for net charge-offs to average net loans.

(5) Non-performing loans consist of all loans 90 days or more past due and all non-accruing loans. Non-performing assets consist of non-performing loans and other repossessed assets.

(6) Capital ratios for all years are reported under the 'Basel III Capital Rule'. Total Capital is Total Capital divided by Total Risk-Weighted Assets. Tier 1 Capital is Tier 1 Capital divided by Total Risk-Weighted Assets. Common Equity Tier 1 Capital is Common Equity Tier 1 Capital divided by Total Risk-Weighted Assets. Leverage Capital is Tier 1 Capital divided by Total Average Assets.

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Heard, McElroy, & Vestal LLC

Certified Public Accountants

333 Texas Street, Suite 1525
Shreveport, Louisiana 71101
318-429-1525 Phone • 318-429-2070 Fax

The Board of Directors and Stockholders
Century Next Financial Corporation

Independent Auditor's Report

Opinion

We have audited the accompanying consolidated financial statements of Century Next Financial Corporation and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Century Next Financial Corporation and Subsidiary as of December 31, 2023 and 2022, and the consolidated results of its operations and its 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 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 modified retrospective method such that prior period amounts presented 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Century Next Financial Corporation and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Century Next Financial Corporation and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Century Next Financial Corporation and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Century Next Financial Corporation and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Heard, McElroy & Vental, LLC

March 18, 2024
Shreveport, Louisiana

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FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share data)</i>	December 31	
	2023	2022
<u>ASSETS</u>		
Cash and balances due from banks	\$ 5,987	\$ 7,291
Interest-bearing deposits in banks	96,724	33,194
Federal funds sold	2,250	1,925
Total cash and cash equivalents	104,961	42,410
Debt securities:		
Available-for-sale	34,023	23,910
Held-to-maturity (including \$1,710 and \$1,886 at fair value)	2,047	2,231
Total Debt Securities	36,070	26,141
Federal Home Loan Bank stock	1,627	1,551
Other equity investments	449	429
Loans:		
Loans, net of unearned income	592,172	542,116
Loans held for sale	1,091	1,624
Allowance for credit losses	(6,050)	(5,808)
Net Loans	587,213	537,932
Accrued interest receivable	2,807	2,115
Premises and equipment, net of accumulated depreciation of \$6,250 and \$5,807	9,414	9,531
Foreclosed Assets	479	813
Intangible assets	3,415	3,661
Other assets	19,415	18,735
TOTAL ASSETS	\$ 765,850	\$ 643,318
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Liabilities:		
Deposits		
Noninterest-bearing	\$ 230,240	\$ 79,532
Interest-bearing	449,872	480,851
Total Deposits	680,112	560,383
Advances from borrowers for insurance and taxes	127	122
Short-term borrowings	-	6,000
Long-term borrowings	8,454	8,454
Accrued interest payable	113	53
Other liabilities	5,151	3,802
Total Liabilities	693,957	578,814
Stockholders' equity:		
Common Stock, \$.01 par value – 9,000,000 shares authorized; 1,826,840 and 1,817,183 issued and outstanding	18	18
Additional paid-in capital	35,306	34,628
Unearned ESOP Shares (27,300 and 31,345 shares)	(225)	(258)
Retained earnings	37,319	31,242
Accumulated other comprehensive income (loss)-net of taxes, \$(140) and \$(299)	(525)	(1,126)
Total Stockholders' Equity	71,893	64,504
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 765,850	\$ 643,318

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

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FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

<i>(In thousands, except share data)</i>	Years Ended December 31	
	2023	2022
INTEREST INCOME		
Loans (including fees)	\$ 33,995	\$ 25,689
Debt securities:		
Taxable	727	298
Tax-exempt	218	41
Other-deposits with banks and federal funds sold	3,565	936
Total Interest Income	<u>38,505</u>	<u>26,964</u>
INTEREST EXPENSE		
Deposits	12,788	4,565
Short-term borrowings	68	37
Long-term debt	605	370
Total Interest Expense	<u>13,461</u>	<u>4,972</u>
Net Interest Income	25,044	21,992
Provision for Credit Losses	262	504
Net Interest Income After Provision for Credit Losses	<u>24,782</u>	<u>21,488</u>
NON-INTEREST INCOME		
Service charges on deposit accounts	1,469	1,433
Loan servicing release fees	239	717
Net gain (loss) on sale of loans	187	(96)
Net gain (loss) on sale of foreclosed assets	(19)	10
Net loss on sale of fixed assets	(2)	-
Other	1,437	1,571
Total Non-Interest Income	<u>3,311</u>	<u>3,635</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	12,077	11,227
Occupancy and equipment	1,275	1,217
Data processing	1,093	1,081
Directors' expense	513	510
Advertising	824	753
Legal and professional	103	218
Audit and examination fees	325	295
Office supplies	148	125
FDIC deposit insurance	435	183
Foreclosed assets	78	(5)
Amortization of Intangibles	246	246
Other operating expense	2,606	2,392
Total Non-Interest Expense	<u>19,723</u>	<u>18,242</u>
Income Before Taxes	8,370	6,881
Income Taxes	1,618	1,658
NET INCOME	<u>\$ 6,752</u>	<u>\$ 5,223</u>
Basic Earnings per Share	<u>\$ 3.77</u>	<u>\$ 2.94</u>
Diluted Earnings per Share	<u>\$ 3.77</u>	<u>\$ 2.94</u>

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(In thousands)</i>	Years Ended December 31	
	2023	2022
Net income	\$ 6,752	\$ 5,223
Other comprehensive income gain (loss), net of tax		
Unrealized gains (losses) on securities:		
Unrealized holding gain (losses) arising during the period	601	(1,114)
Less: reclassification adjustments for gains (losses) included in net income	-	-
Net change in unrealized gains (losses) on securities	601	(1,114)
Other comprehensive income gain (loss), net of tax	601	(1,114)
Comprehensive income	\$ 7,353	\$ 4,109

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

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<i>(In thousands)</i>	Common Stock Amount	Additional Paid-in Capital	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, December 31, 2021	\$ 18	\$ 33,975	\$ (292)	\$ (12)	\$ 26,619	\$ 60,308
Comprehensive income:						
Net income	-	-	-	-	5,223	5,223
Unrealized gains (losses) on securities available for sale, net of tax	-	-	-	(1,114)	-	(1,114)
Total comprehensive income						4,109
Restricted shares vested and repurchased	-	(23)	-	-	-	(23)
ESOP shares released	-	93	34	-	6	133
Stock option expense	-	189	-	-	-	189
Restricted shares expense	-	244	-	-	-	244
40 lk share repurchase (2,106 shares)	-	(64)	-	-	-	(64)
ESOP shares repurchased (2,473 shares)	-	(21)	-	-	(63)	(84)
Issuance of common shares to 40 lk (7,370 shares)	-	235	-	-	-	235
Cash dividends	-	-	-	-	(543)	(543)
Balance, December 31, 2022	\$ 18	\$ 34,628	\$ (258)	\$ (1,126)	\$ 31,242	\$ 64,504
Comprehensive income:						
Net income	-	-	-	-	6,752	6,752
Unrealized gains (losses) on securities available for sale, net of tax	-	-	-	601	-	601
Total comprehensive income						7,353
Restricted shares vested and repurchased	-	(22)	-	-	-	(22)
ESOP shares released	-	78	33	-	5	116
Stock option expense	-	217	-	-	-	217
Restricted shares expense	-	245	-	-	-	245
40 lk share repurchase (2,155 shares)	-	(58)	-	-	-	(58)
ESOP shares repurchased (3,815 shares)	-	(33)	-	-	(98)	(131)
Issuance of common shares to 40 lk (9,235 shares)	-	251	-	-	-	251
Cash dividends	-	-	-	-	(582)	(582)
Balance, December 31, 2023	\$ 18	\$ 35,306	\$ (225)	\$ (525)	\$ 37,319	\$ 71,893

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands)</i>	Years Ended December 31	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 6,752	\$ 5,223
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	262	504
Depreciation and amortization	585	572
Donation of fixed asset	95	-
Amortization of purchase accounting valuations	246	246
Stock-based compensation expense, net of tax benefits	545	532
ESOP shares released	33	34
Net (gain) loss on sale of loans	(187)	96
Net (gain) loss on sale of foreclosed assets	19	(10)
Net loss on sale of fixed assets	2	-
Income from change in cash surrender value of life insurance	(305)	(242)
Deferred income tax benefit - Current Year	(229)	(59)
Net amortization (discount) premium (accretion)/fair value adjustments to investments	533	2,029
Decrease (increase) in loans held for sale	720	(311)
Increase in foreclosed assets	(59)	(860)
Increase in interest receivable and other assets	(239)	(1,466)
Net increase (decrease) in accrued interest payable and other liabilities	1,409	(280)
Total adjustments	3,430	785
Net cash provided by operating activities	10,182	6,008
Cash flows from investing activities:		
Proceeds from sales and maturities of investment securities	1,763	1,160
Purchases of investment securities	(12,225)	(16,879)
Net purchase of FHLB stock and other equity investments	(96)	(17)
Proceeds from sales of foreclosed assets	374	87
Purchases of life insurance	-	(4,226)
Proceeds from life insurance claims	2	191
Purchase of fixed assets	(565)	(565)
Net increase in loans	(50,076)	(100,914)
Net cash used by investing activities	(60,823)	(121,163)
Cash flows from financing activities:		
Net increase in demand deposits and savings accounts	143,600	109,054
Net decrease in time deposits	(23,871)	(23,150)
Increase in advances from borrowers for insurance and taxes	5	28
Net decrease in FHLB advances and other borrowings	(6,000)	-
Proceeds from issuance of common stock to 401k participants	251	235
Expenditures for repurchase of 401k shares from participants	(58)	(64)
Expenditures for repurchase of ESOP shares from participants	(131)	(84)
Expenditures for repurchase of restricted shares vested	(22)	(23)
Cash dividends paid on common stock	(582)	(543)
Net cash provided by financing activities	113,192	85,453
Net (decrease)increase in cash and cash equivalents	62,551	(29,702)
Cash and cash equivalents, at beginning of period	42,410	72,112
Cash and cash equivalents, at end of period	\$ 104,961	\$ 42,410
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest on deposits and borrowed funds	\$ 13,401	\$ 4,961
Income taxes	\$ 2,060	\$ 1,855

The accompanying notes are an integral part of these consolidated financial statement

CENTURY NEXT

FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies

a. **Basis of Presentation and Consolidation**

The consolidated financial statements include the accounts of Century Next Financial Corporation, a Louisiana chartered corporation (the “Company”) and its wholly-owned subsidiary, Century Next Bank, a federally-chartered covered savings association. All significant intercompany balances and transactions have been eliminated.

b. **Use of Estimates**

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for credit losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

Most of the Bank's business activity is with customers located within the North Louisiana and South Arkansas areas. The loan categories are detailed in Note 3. The economies of these areas are diversified but somewhat dependent on timber, agriculture, and oil and gas. Although these areas of the economy and the economy in general in the area are doing well, they could decline in the future.

While management uses available information to recognize credit losses on loans, future additions to the allowances 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 Bank's allowances for credit losses on loans and foreclosed real estate. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for credit losses on loans may change materially in the near future.

c. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, deposits with other banks, and federal funds sold. The Bank is required to maintain reserve balances as either cash on hand and/or with the Federal Reserve Bank based on the amount of transaction account balances on the Bank balance sheet. This is known as a “reserve requirement” under the applicable regulation. The regulation provides that a zero percent reserve requirement ratio shall apply at each depository institution to total reservable liabilities that do not exceed a certain amount. At December 31, 2023 and 2022 there was no reserve requirement.

d. **Investment Securities**

The Bank's investments in securities are classified in two categories and accounted for as follows:

- **Securities Held to Maturity.** Bonds, notes and debentures for which the Bank has the positive intent and ability to hold to maturity are reported at cost and adjusted for amortization of premiums and accretion of discounts, which are recognized in interest income using the straight-line method over the period to maturity.
- **Securities Available for Sale.** Securities available for sale consist of bonds, notes, debentures, and certain equity securities not classified as trading securities nor as securities held to maturity.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below cost, that are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. No such write-downs were made in fiscal 2023 or fiscal 2022.

Unrealized gains and losses, net of income taxes, on securities available for sale are accounted for in accumulated other comprehensive income as part of stockholders' equity. Changes in unrealized gains and losses on these securities are separately reported as components of other comprehensive income.

Gains and losses on the sale of securities available for sale are determined using the specific-identification method.

CENTURY NEXT

FINANCIAL CORPORATION

1. Summary of Significant Accounting Policies (Continued)

e. **Loans**

Loans are stated at the amount of unpaid principal, reduced by deferred loan fees and an allowance for credit losses (ACL). Deferred loan fees are generally recognized as income under the effective yield method. Interest on loans is calculated by using the simple interest method on daily or monthly balances of the principal amount outstanding. Loans held for sale are reported at the lower of cost or market, with market value determined on the aggregate method.

Loans acquired in business combinations are initially recorded at fair value. The fair value of the acquired loan portfolio includes two components: (1) an estimate of the interest rate premium or discount on the loans calculated as the difference between the contractual rate of interest on the loans and prevailing interest rates referred to as the “interest rate mark”, and (2) an estimate of expected credit losses referred to as the “credit mark”. The interest rate mark and credit mark on purchased performing loans are fully amortized on a straight-line basis to net interest income over the weighted-average life of the portfolio. For purchased credit impaired loans, expected cash flows will be reevaluated periodically to determine the need for adjusting the associated credit mark. The interest rate mark is amortized into net interest income on a straight-line basis over the effective life of the loan.

f. **Allowance for Credit Losses**

The standard on accounting for expected credit losses (codified in ASC 326) added to US GAAP the Current expected credit losses (CECL) impairment model that is based on expected losses rather than incurred losses. Under this guidance, an entity recognizes its estimate of expected credit losses as an allowance. The CECL model incorporates forward-looking information and generally results in earlier loss recognition than incurred loss models do.

On January 1, 2023, the Company adopted and implemented ASC Topic 326 – Credit Losses regarding the design, documentation, and validation of expected credit loss estimation processes, internal controls over these processes, maintenance of the appropriate ACL, and responsibilities of boards of directors and management in the measurement of expected credit losses. CECL methodology as explained in ASC Topic 326 is used in determining the ACL for loans held-for-investment, held-to-maturity debt securities accounted for at amortized cost, and the estimation of the ACL for an available-for-sale debt securities covered under ASC Subtopic 326-30. ASC Topic 326 also applies to off-balance-sheet credit exposures as defined in the standard. The adoption of ASC Topic 326 did not result in an additional amount to the existing allowance for loan losses balance in establishing the ACL.

Allowance for Investment Securities

A significant portion of our investment securities are issued or guaranteed by either the U.S. government (U.S. Treasury or a government entity) or a government-sponsored agency (FNMA or FHLMC). Taking into consideration historical information and current and forecasted conditions, we do not expect to incur any credit losses on these securities.

Investment securities that are not issued or guaranteed by the U.S. government or a government-sponsored agency consist only of general obligation and revenue issue financial institution qualified state and municipal debt securities with investment grade ratings of AAA, AA and A with a relatively low risk of default. The discounted cash flow approach is primarily used to determine the amount of the allowance required. The estimates of expected cash flows are determined using macroeconomic sensitive models taking into consideration the reasonable and supportable forecast period and scenarios discussed above. Additional factors unique to a specific security may also be taken into consideration when estimating expected cash flows. The cash flows expected to be collected, after considering expected prepayments, are discounted at the effective interest rate. For an available-for-sale security, the amount of the allowance is limited to the difference between the amortized cost basis of the security and its estimated fair value. Taking into consideration historical information, current and forecasted conditions, and an annual report that reviews economic data related specifically to the geographic area of these securities, we do not expect to incur any credit losses on these securities.

CENTURY NEXT

FINANCIAL CORPORATION

1. Summary of Significant Accounting Policies (Continued)

Allowance for Loan and Lease Losses

The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net carrying value at the amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the amount of the loan uncollectable is confirmed. Credit losses for newly recognized loans, as well as the expected increases or decreases of expected credit losses that have taken place during the period will be reflected on the income statement each period.

Loans, other than loans assessed on an individual basis, are segmented into groups of loans with similar risk characteristics. Lifetime expected credit losses means an estimate of the amount the institution will be unable to collect over the loan's contractual life given facts and circumstances as of the evaluation date. Loss estimates, within the model, are calculated based upon a combination of relevant information about past events, including historical loss experience, certain quantitative factors, including concentration risks, economic conditions, and credit quality trends, and other adjustments necessary due to certain environmental and qualitative factors using reasonable and supportable forecasts.

Loans evaluated on an individual basis uses the current information associated with the loan generated from the loan review process. The estimated expected credit loss is evaluated each period based on the estimated collectability of the amounts under the contractual terms over the life of the loan given the facts and circumstances at each evaluation date.

No allowance for credit losses is recorded at the date of acquisition for loans acquired in a business combination because those loans are recorded at fair value which includes an expected credit loss component.

Although ASC Topic 326 does not prescribe the use of specific estimation methods, the Company evaluated and adopted the Federal Reserve Scaled CECL Allowance for Losses Estimator (SCALE) method. This method is designed for community banks up to \$1 billion in assets and is described by regulators as one of the many acceptable methods for applying CECL. The SCALE method model first requires the grouping of loan data by industry-specific portfolio segments commonly used in the banking industry for call reporting purposes. Key components used in the determination of an adequate ACL include 1) Loans assessed on an individual basis, 2) Loans assessed on pooled basis, 3) Lifetime historical loss rates for the institution, and 4) Qualitative factors that consider current and projected economic conditions and other relevant risk factors specific to the institution as prescribed in the accounting guidance on CECL.

Accrued Interest

Accrual of interest is discontinued on a loan after it is 90 days or more past due and when management believes, after considering economic and business conditions and collection efforts, that the borrowers' financial condition is such that collection of interest is unlikely. Past due status is based on contractual terms of the loan. However, loans may be placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. When accrued interest is reversed or charged-off in a timely manner, the CECL standard provides a practical expedient to exclude accrued interest from ACL measurement.

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

Allowance for Off-Balance Sheet Credit Exposure

Off-balance sheet credit exposures that are not unconditionally cancelable including unfunded loan commitments, letters of credit and certain financial guarantees are reviewed for determination of expected credit losses over the contract period. Other than the estimation of the probability of funding, this reserve is estimated in a manner similar to the methodology used for determining reserves for pooled loans and leases. See the Allowance for Loan and Lease Losses section of this Note 1 for the key credit risk characteristics for unfunded lending related commitments. The allowance for unfunded lending related commitments would be recorded as a liability on the Consolidated Balance Sheet. Net adjustments to this reserve are included in the Provision for Credit Losses on the Consolidated Income Statement.

CENTURY NEXT

FINANCIAL CORPORATION

1. Summary of Significant Accounting Policies (Continued)

There is no allowance for credit losses for off-balance sheet credit exposure recorded on the Consolidated Balance Sheet as we do not expect to incur any credit losses.

g. **Premises and Equipment**

Premises and equipment are carried at cost less accumulated depreciation. Depreciation of premises and equipment is provided over the estimated useful lives of the respective assets using straight-line and accelerated methods. Expenditures for major renewals and betterments of premises and equipment are capitalized and those for maintenance and repairs are charged to expense as incurred.

h. **Leases**

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain premises and equipment. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record short-term leases with an initial lease term of one year or less on the consolidated balance sheets.

i. **Federal Home Loan Bank (FHLB) Stock**

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is reported on the consolidated balance sheets as an individual line item and is carried at cost. Both cash and stock dividends are reported as income.

j. **Bank-Owned Life Insurance**

The Bank has purchased insurance policies on the lives of certain directors and executive officers of the Bank. The Bank purchased the policies to insure the lives of certain key executives and provide additional benefits for their beneficiaries. The Bank also acquired certain split-dollar life insurance policies in a business combination. These policies provide death benefits to the Bank and designated beneficiaries of certain current and former employees of the acquired entity. The cash surrender value of the insurance policies, up to the total amount of premiums paid, is recorded as an asset in the balance sheets and included in other assets. At December 31, 2023 and 2022, the cash surrender value amounted to \$16.4 million, and \$15.9 million, respectively. The Bank's total holdings of bank owned life insurance measured as the cash surrender value of all combined policies is limited to an aggregate of 25 percent of its Tier I Capital unless the Board and management determine a justifiable reason to exceed the policy limit. The bank-owned life insurance provides an attractive tax-exempt return to the Bank.

k. **Goodwill and Other Intangible Assets**

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to review for impairment annually, or more frequently if deemed necessary.

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives and reviewed for impairment. The asset is written down to its estimated fair value as deemed necessary based on the impairment analysis. Core deposit intangibles representing the value of the acquired core deposit base are generally recorded in connection with business combinations involving financial institutions or banks. The Company amortizes core deposit intangibles on a straight-line basis over their estimated useful life of 10 years. Core deposit intangibles are tested for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable from future undiscounted cash flows.

l. **Stock-Based Compensation**

Compensation cost is recognized for stock options and restricted stock awards issued to employees based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. The market price of the Company's common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period.

CENTURY NEXT

FINANCIAL CORPORATION

1. Summary of Significant Accounting Policies (Continued)

m. **Income Taxes**

Deferred income taxes are recognized for the tax consequences of differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Such differences arise primarily from differences in computing the provision for possible credit losses, and differences in recognizing interest expense.

n. **Retirement Plans**

Employee 401(k) expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

o. **Employee Stock Ownership Plan (ESOP)**

The cost of shares issued to the ESOP, but not yet allocated to participants, is shown as a reduction of stockholders' equity. Compensation expense is based on the average market price of shares over the year as they are committed to be released to participant accounts. Dividends on allocated ESOP shares reduce retained earnings, and dividends on unearned ESOP shares reduce any debt outstanding and accrued interest to purchase shares.

p. **Comprehensive Income (Loss)**

Generally accepted accounting principles ("GAAP") generally require that recognized revenues, expenses, gains, and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheets, such items, along with net earnings, are components of comprehensive income. The Company presents comprehensive income in its consolidated statements of comprehensive income.

q. **Revenue Recognition**

The Bank's interest income is derived from loans, securities and other investments. The Bank recognizes interest income in accordance with the applicable guidance in U.S. GAAP for these assets. Non-interest income is composed of the following:

- Customer service fees, which consist primarily of monthly service charges on deposit accounts, transaction-based fees (such as overdraft fees and wire transfer fees), and other deposit account-related charges. The Bank's performance obligations for consumer deposit account service charges are typically satisfied over time while performance obligations for transaction-based fees are typically satisfied at a point in time. Revenues are recognized when or as the services are provided to the customer. Payments are typically collected from the customer directly from the related deposit account at the time the transaction is processed and/or at the end of the customer's statement cycle (customarily monthly).
- Other income primarily includes rentals and other miscellaneous revenues. For these fees, the Bank's performance obligations are generally satisfied when the transactions generating the revenue are completed.

r. **Reclassifications**

Certain reclassifications have been made to prior period balances to conform to the current period presentation.

s. **Recent Accounting Pronouncements**

Accounting Standards Updates

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU was updated with ASU 2019-10 and changed the effective dates for certain entities. For non-SEC filer public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

CENTURY NEXT

FINANCIAL CORPORATION

2. Investment Securities

Debt Securities

The carrying amounts of investment securities and their approximate fair values at December 31, 2023 and 2022 are as follows:

(In thousands)

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Securities Available-for-Sale:				
U.S. Government agency	\$ 4,458	\$ -	\$ 246	\$ 4,212
Government-sponsored enterprises	974	-	37	937
State and municipal	\$ 6,906	\$ 238	\$ 52	\$ 7,092
Mortgage-backed securities	\$ 22,350	\$ 423	\$ 991	\$ 21,782
Total Available-for-Sale Securities	<u>34,688</u>	<u>661</u>	<u>1,326</u>	<u>34,023</u>
Securities Held-to-Maturity:				
State and municipal	450	-	12	438
Mortgage-backed securities	1,597	-	326	1,271
Total Held-to-Maturity Securities	<u>2,047</u>	<u>-</u>	<u>338</u>	<u>1,709</u>
Total Debt Securities	<u>\$ 36,735</u>	<u>\$ 661</u>	<u>\$ 1,664</u>	<u>\$ 35,732</u>

(In thousands)

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Securities Available-for-Sale:				
U.S. Government agency	\$ 4,444	\$ -	\$ 341	\$ 4,103
Government-sponsored enterprises	\$ 1,007	\$ -	\$ 28	\$ 979
State and municipal	\$ 3,652	\$ 51	\$ 79	\$ 3,624
Mortgage-backed securities	\$ 16,232	\$ 146	\$ 1,174	\$ 15,204
Total Available-for-Sale Securities	<u>25,335</u>	<u>197</u>	<u>1,622</u>	<u>23,910</u>
Securities Held-to-Maturity:				
State and municipal	550	-	17	533
Mortgage-backed securities	1,681	-	328	1,353
Total Held-to-Maturity Securities	<u>2,231</u>	<u>-</u>	<u>345</u>	<u>1,886</u>
Total Debt Securities	<u>\$ 27,566</u>	<u>\$ 197</u>	<u>\$ 1,967</u>	<u>\$ 25,796</u>

CENTURY NEXT

FINANCIAL CORPORATION

2. Investment Securities (Continued)

Information pertaining to securities with gross unrealized losses for which an allowance for credit losses has not been recorded at December 31, 2023 and 2022 is presented in the table below. These securities are segregated between investments that had been in a continuous unrealized loss position for less than twelve months and twelve months or more, based on the point in time that the fair value declined below the amortized cost basis. All securities included in the table have been evaluated to determine if a credit loss exists. As part of that assessment, as of December 31, 2023, we concluded that we do not intend to sell and believe we will not be required to sell these securities prior to recovery of the amortized cost basis.

<u>December 31, 2023</u>	Less Than Twelve Months		Twelve or More Months		Total Unrealized Losses
	Gross		Gross		
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
<i>(In thousands)</i>					
Securities Available-for-Sale, at fair value					
U.S. Government agency	\$ -	\$ -	\$ 246	\$ 4,212	\$ 246
Government-sponsored enterprises	-	-	37	937	37
State and municipal	8	992	44	972	52
Mortgage-backed securities	3	1,728	988	10,891	991
Total Available-for-Sale Securities	\$ 11	\$ 2,720	\$ 1,315	\$ 17,012	\$ 1,326
Securities Held-to-Maturity at amortized cost					
State and municipal	\$ -	\$ -	\$ 12	\$ 438	\$ 12
Mortgage-backed securities	-	-	326	1,271	326
Total Held-to-Maturity Securities	\$ -	\$ -	\$ 338	\$ 1,709	\$ 338
<u>December 31, 2022</u>	Less Than Twelve Months		Twelve or More Months		Total Unrealized Losses
	Gross		Gross		
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
<i>(In thousands)</i>					
Securities Available-for-Sale, at fair value					
U.S. Government agency	\$ 122	\$ 1,848	\$ 219	\$ 2,255	\$ 341
Government-sponsored enterprises	\$ 28	\$ 979	\$ -	\$ -	\$ 28
State and municipal	79	1,573	-	-	79
Mortgage-backed securities	449	4,749	725	6,158	1,174
Total Available-for-Sale Securities	\$ 678	\$ 9,149	\$ 944	\$ 8,413	\$ 1,622
Securities Held-to-Maturity at amortized cost					
State and municipal	\$ 17	\$ 533	\$ -	\$ -	\$ 17
Mortgage-backed securities	-	-	328	1,353	328
Total Held-to-Maturity Securities	\$ 17	\$ 533	\$ 328	\$ 1,353	\$ 345

CENTURY NEXT

FINANCIAL CORPORATION

2. Investment Securities (Continued)

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

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market value of securities and the possibility of temporary unrealized losses. The Company has determined that there was no other-than-temporary impairment associated with these securities at December 31, 2023 and 2022.

The scheduled maturities of debt securities at December 31, 2023 and 2022 are as follows:

December 31, 2023

<i>(In thousands)</i>	Available-for-Sale		Held-to Maturity	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
1 year or less	\$ 501	\$ 497	\$ 235	\$ 233
Over 1 year to 5 years	6,672	6,144	215	205
Over 5 years to 10 years	6,970	6,708	-	-
Over 10 years	20,545	20,674	1,597	1,271
Total	\$ 34,688	\$ 34,023	\$ 2,047	\$ 1,709

December 31, 2022

<i>(In thousands)</i>	Available-for-Sale		Held-to Maturity	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
1 year or less	\$ -	\$ -	\$ 100	\$ 99
Over 1 year to 5 years	4,818	4,439	450	433
Over 5 years to 10 years	8,403	7,754	-	-
Over 10 years	12,114	11,717	1,681	1,354
Total	\$ 25,335	\$ 23,910	\$ 2,231	\$ 1,886

The following table summarizes investment activities for the periods ending December 31, 2023 and 2022:

<i>(In thousands)</i>	For the Years Ended December 31,			
	2023		2022	
	Held to Maturity	Available for Sale	Held to Maturity	Available for Sale
Purchases of securities	\$ -	\$ 12,225	\$ -	\$ 16,879
Sales and maturities of securities	\$ 186	\$ 1,577	\$ 217	\$ 943
Gross realized gains on sales	\$ -	\$ -	\$ -	\$ -
Gross realized losses on sales	\$ -	\$ -	\$ -	\$ -
Net tax expense applicable to net gains	\$ -	\$ -	\$ -	\$ -

CENTURY NEXT

FINANCIAL CORPORATION

2. Investment Securities (Continued)

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at December 31, 2023:

<i>(In thousands)</i>	Amounts at December 31, 2023, Maturing In				
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
Securities Available-for-Sale, at fair value:					
U.S. Government agency	\$ 497	\$ 3,715	\$ -	\$ -	\$ 4,212
Government-sponsored enterprises	-	-	937	-	937
State and municipal	-	573	773	5,746	7,092
Mortgage-backed securities	-	1,856	4,998	14,928	21,782
Total Available-for-Sale Securities	<u>\$ 497</u>	<u>\$ 6,144</u>	<u>\$ 6,708</u>	<u>\$ 20,674</u>	<u>\$ 34,023</u>
Weighted-average yield	<u>1.28%</u>	<u>1.52%</u>	<u>3.22%</u>	<u>4.56%</u>	<u>3.70%</u>
Tax-equivalent yield at 21% tax rate	<u>1.28%</u>	<u>1.52%</u>	<u>3.30%</u>	<u>5.00%</u>	<u>3.98%</u>
Securities Held-to-Maturity at amortized cost:					
U.S. Government agency	\$ -	\$ -	\$ -	\$ -	\$ -
Government-sponsored enterprises	-	-	-	-	-
State and municipal	235	215	-	-	450
Mortgage-backed securities	-	-	-	1,597	1,597
Other securities	-	-	-	-	-
Total Held-to-Maturity Securities	<u>\$ 235</u>	<u>\$ 215</u>	<u>\$ -</u>	<u>\$ 1,597</u>	<u>\$ 2,047</u>
Weighted-average yield	<u>2.40%</u>	<u>0.85%</u>	<u>0.00%</u>	<u>1.60%</u>	<u>1.61%</u>
Tax-equivalent yield at 21% tax rate	<u>3.04%</u>	<u>1.08%</u>	<u>0.00%</u>	<u>1.60%</u>	<u>1.71%</u>
Total debt securities	<u>\$ 732</u>	<u>\$ 6,359</u>	<u>\$ 6,708</u>	<u>\$ 22,271</u>	<u>\$ 36,070</u>
Weighted-average yield	<u>1.64%</u>	<u>1.50%</u>	<u>3.22%</u>	<u>4.36%</u>	<u>3.59%</u>
Tax-equivalent yield at 21% tax rate	<u>1.84%</u>	<u>1.51%</u>	<u>3.30%</u>	<u>4.77%</u>	<u>3.86%</u>

At December 31, 2023 and 2022, there were no securities pledged as collateral.

Equity Investments

The Bank holds equity investments, some of which contain restrictions, with fair values that are not readily determinable and are carried at cost.

Equity investments carried at cost consist of the following at December 31, 2023 and 2022:

<i>(In thousands)</i>	2023	2022
Federal Home Loan Bank of Dallas	\$ 1,627	\$ 1,551
First National Bankers Bankshares, Inc.	429	429
Partner Health Insurance, LTD.	20	-
Total	<u>\$ 2,076</u>	<u>\$ 1,980</u>

First National Bankers Bankshares, Inc. is the parent company of the Bank's correspondent bank, First National Bankers Bank, used for clearing daily cash letter transactions. Stock membership in the above organizations affords certain discounts for services and dividends to members. Partner Health Insurance, LTD. is a stock membership in a captive insurance program joined by the Bank in September 2023.

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3. Loans

Loans at December 31, 2023 and 2022, consist of the following:

<i>(In thousands)</i>	December 31	
	2023	2022
<u>Loans secured by real estate:</u>		
Residential 1-4 family - held for sale	\$ 1,091	\$ 1,624
Residential 1-4 family	162,345	136,031
Commercial	232,427	218,976
Multi-family	18,255	34,413
Agricultural	12,216	3,531
Land	57,754	46,300
Residential construction	12,734	7,059
Home equity lines of credit	3,754	2,810
Total loans secured by real estate	500,577	450,744
Commercial loans	81,653	81,663
Agricultural loans	162	185
Consumer loans, including overdrafts of \$282 and \$62	10,870	11,148
Total loans	593,263	543,740
Less: Allowance for credit losses	(6,050)	(5,808)
Loans, net	\$ 587,213	\$ 537,932

The Bank is obligated to repurchase those mortgage loans sold which do not have complete documentation or which experience an early payment default. At December 31, 2023 and 2022, loans sold for which the Bank is contingently liable to repurchase amounted to approximately \$5.6 million and \$4.2 million, respectively. The Bank also is committed to sell loans approximating \$1.1 million and \$1.6 million at December 31, 2023 and 2022, respectively.

Loans Individually Evaluated for Impairment

The following table details loans individually evaluated for impairment at December 31, 2022:

<i>(In thousands)</i>	
<u>Loans secured by real estate:</u>	
Residential 1-4 family	\$ 498
Land	293
Total loans secured by real estate	791
Consumer loans	32
Total loans	\$ 823

All other loans were evaluated collectively for 2022.

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3. Loans (Continued)

The following table presents information related to impaired loans by class of loans as of December 31, 2022:

<i>(In thousands)</i>	Impaired Loans For the Periods Ended,				
	Recorded	Unpaid	Related	Average	Interest
	Investment	Principal Balance	Allowance	Recorded Investment	Income Recognized
<u>December 31, 2022</u>					
<u>With no related allowance recorded:</u>					
Commercial real estate-other	\$ -	\$ -	\$ -	\$ -	\$ -
Residential-prime	791	791	-	1,776	-
Commercial non-real estate	-	-	-	-	-
Consumer	32	32	-	118	-
<u>Total:</u>					
Commercial real estate-other	\$ -	\$ -	\$ -	\$ -	\$ -
Residential-prime	791	791	-	1,776	-
Commercial non-real estate	-	-	-	-	-
Consumer	32	32	-	118	-

The Company had no troubled debt restructurings to report as of December 31, 2022.

The Company had no loans by class modified as troubled debt restructurings for which there was a payment default within twelve months following the modification for the year ended December 31, 2022.

At December 31, 2023 and 2022, there were no purchased credit impaired loans outstanding.

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4. Allowance for Credit Losses and Credit Quality

Allowance for Credit Losses

The allowance for credit losses (ACL) is established through a provision charged to earnings. Credit losses are charged against the allowance when management determines that the collection of the loan balance outstanding is confirmed. Subsequent recoveries, if any, are credited to the allowance. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Changes in the ACL related to impaired loans are charged or credited to the provision for credit losses.

The ACL is maintained at a level which, in management's opinion, reflects management's best estimate of expected credit losses within the range of expected credit losses in the existing loan portfolio and other financial assets under the scope of ASC Topic 326. The Company utilizes an historical analysis of the Company's portfolio to validate the overall adequacy of the allowance for credit losses. Lifetime expected credit losses means an estimate of the amount the institution will be unable to collect over the loan's contractual life given facts and circumstances as of the evaluation date. Loss estimates, within the model, are calculated based upon a combination of relevant information about past events, including historical loss experience, certain quantitative factors, including concentration risks, economic conditions, and credit quality trends, and other adjustments necessary due to certain environmental and qualitative factors using reasonable and supportable forecasts.

A summary of changes in the allowance for credit losses is as follows:

<i>(In thousands)</i>	December 31	
	2023	2022
Beginning balance, prior to adoption of ASC 326	\$ 5,808	\$ 5,240
Impact of adopting ASC 326	-	-
Provision for credit losses under ASC 326	262	-
Provision for loan losses under prior guidance	-	504
Loans charged-off	(169)	(264)
Recoveries of loans previously charged-off	149	328
Ending balance	<u>\$ 6,050</u>	<u>\$ 5,808</u>

The following tables detail the balance in the allowance for credit losses by portfolio segment at the respective dates:

<i>(In thousands)</i>	For the Year Ended December 31, 2023				
	Beginning Balance	Chargeoffs	Recoveries	Provision (Recapture) Credit Losses	Ending Balance
<u>Loans secured by real estate:</u>					
Residential 1-4 family	\$ 1,385	\$ (25)	\$ -	\$ 393	\$ 1,753
Commercial	2,577	-	-	\$ (278)	\$ 2,299
Multi-family	286	-	-	\$ (127)	\$ 159
Agricultural	30	-	-	\$ 76	\$ 106
Land	435	-	-	\$ 127	\$ 562
Residential construction	61	-	-	\$ 55	\$ 116
Home equity lines of credit	23	-	-	\$ 10	\$ 33
Totals by loans secured by real estate	<u>4,797</u>	<u>(25)</u>	<u>-</u>	<u>\$ 256</u>	<u>\$ 5,028</u>
Commercial loans	855	(92)	142	\$ (40)	\$ 865
Agricultural	2	-	-	\$ -	\$ 2
Consumer loans	154	(52)	7	\$ 46	\$ 155
Totals for all loans	<u>\$ 5,808</u>	<u>\$ (169)</u>	<u>\$ 149</u>	<u>\$ 262</u>	<u>\$ 6,050</u>

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4. Allowance for Credit Losses and Credit Quality (Continued)

The following tables detail the balance in the allowance for loan losses by portfolio segment under prior guidance at the respective dates:

<i>(In thousands)</i>	For the Year Ended December 31, 2022				
	Beginning Balance	Chargeoffs	Recoveries	Provision	Ending Balance
<u>Loans secured by real estate:</u>					
Residential 1-4 family	\$ 1,488	\$ (242)	\$ 18	\$ 121	\$ 1,385
Commercial	1,756	-	-	821	2,577
Multi-family	253	-	-	33	286
Agricultural	36	-	-	(6)	30
Land	359	-	-	76	435
Residential construction	43	-	-	18	61
Home equity lines of credit	24	-	-	(1)	23
Totals by loans secured by real estate	3,959	(242)	18	1,062	4,797
Commercial loans	1,095	-	301	(541)	855
Agricultural	1	-	-	1	2
Consumer loans	185	(22)	9	(18)	154
Totals for all loans	\$ 5,240	\$ (264)	\$ 328	\$ 504	\$ 5,808

At December 31, 2022, the Company had no allowance for credit losses for loans individually evaluated for impairment.

Credit Quality

Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The following definitions are utilized for risk ratings, which are consistent with the definitions used in supervisory guidance:

Special Mention – Loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidations of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss - This classification includes those loans which are considered uncollectible or of such little value that their continuance as loans is not warranted. Even though partial recovery may be possible in the future, it is not practical or desirable to defer writing off these loans. Accordingly, these loans are charged-off before period end.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

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4. Allowance for Loan Losses and Credit Quality (Continued)

The table below illustrates the carrying amount of loans by credit quality indicator at December 31, 2023 and 2022:

<i>(In thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2023						
<u>Loans secured by real estate:</u>						
Residential 1-4 family	\$ 163,159	\$ 30	\$ 247	\$ -	\$ -	\$ 163,436
Commercial	230,268	-	2,159	-	-	232,427
Multi-family	18,255	-	-	-	-	18,255
Agricultural	12,216	-	-	-	-	12,216
Land	57,754	-	-	-	-	57,754
Residential construction	12,734	-	-	-	-	12,734
Home equity lines of credit	3,754	-	-	-	-	3,754
Totals by loans secured by real estate	498,141	30	2,406	-	-	500,577
Commercial loans	81,623	-	30	-	-	81,653
Agricultural loans	162	-	-	-	-	162
Consumer loans	10,856	-	14	-	-	10,870
Totals for all loans	<u>\$ 590,783</u>	<u>\$ 30</u>	<u>\$ 2,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,263</u>
December 31, 2022						
<u>Loans secured by real estate:</u>						
Residential 1-4 family	\$ 137,157	\$ -	\$ 498	\$ -	\$ -	\$ 137,655
Commercial	216,691	2,285	-	-	-	218,976
Multi-family	34,413	-	-	-	-	34,413
Agricultural	3,531	-	-	-	-	3,531
Land	46,300	-	-	-	-	46,300
Residential construction	6,766	-	293	-	-	7,059
Home equity lines of credit	2,810	-	-	-	-	2,810
Totals by loans secured by real estate	447,668	2,285	791	-	-	450,744
Commercial loans	81,663	-	-	-	-	81,663
Agricultural loans	185	-	-	-	-	185
Consumer loans	11,116	-	32	-	-	11,148
Totals for all loans	<u>\$ 540,632</u>	<u>\$ 2,285</u>	<u>\$ 823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 543,740</u>

Interest income on impaired loans, other than non-accrual loans, is recognized on an accrual basis. Interest income on non-accrual loans is recognized only as collected. Loans on which the accrual of interest has been discontinued amounted to approximately \$2.5 million and \$823,000 at December 31, 2023 and 2022, respectively. If the non-accrual loans had been accruing interest at their original contracted rates, related income would have been \$88,000 for 2023 and \$118,000 for 2022.

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4. Allowance for Loan Losses and Credit Quality (Continued)

A summary of current, past due, and non-accrual loans at December 31, 2023 and 2022 is as follows:

<i>(In thousands)</i>	Past Due 30-89 Days	Past Due Over 90 Days Accruing	Non- Accruing	Total Past Due and Non-Accruing	Current	Total Loans
<u>December 31, 2023</u>						
Loans secured by real estate:						
Residential 1-4 family	\$ 67	\$ -	\$ 248	\$ 314	\$ 163,122	\$ 163,436
Commercial	-	-	2,159	2,159	230,269	232,427
Multi-family	-	-	-	-	18,255	18,255
Agricultural	-	-	-	-	12,216	12,216
Land	-	-	-	-	57,754	57,754
Residential construction	-	-	-	-	12,734	12,734
Home equity lines of credit	-	-	-	-	3,754	3,754
Totals by loans secured by real estate	67	-	2,406	2,473	498,104	500,577
Commercial loans	155	-	30	185	81,468	81,653
Agricultural loans	-	-	-	-	162	162
Consumer loans	12	-	14	26	10,844	10,870
Totals for all loans	<u>\$ 234</u>	<u>\$ -</u>	<u>\$ 2,450</u>	<u>\$ 2,684</u>	<u>\$ 590,579</u>	<u>\$ 593,263</u>
<u>December 31, 2022</u>						
Loans secured by real estate:						
Residential 1-4 family	\$ 737	\$ -	\$ 498	\$ 1,235	\$ 136,420	\$ 137,655
Commercial	-	-	-	-	218,976	218,976
Multi-family	-	-	-	-	34,413	34,413
Agricultural	-	-	-	-	3,531	3,531
Land	-	-	293	293	46,007	46,300
Residential construction	-	-	-	-	7,059	7,059
Home equity lines of credit	-	-	-	-	2,810	2,810
Totals by loans secured by real estate	737	-	791	1,528	449,216	450,744
Commercial loans	58	-	-	58	81,605	81,663
Agricultural loans	-	-	-	-	185	185
Consumer loans	33	-	32	65	11,083	11,148
Totals for all loans	<u>\$ 829</u>	<u>\$ -</u>	<u>\$ 823</u>	<u>\$ 1,652</u>	<u>\$ 542,088</u>	<u>\$ 543,740</u>

The Bank grants consumer, commercial and residential loans to customers in North Central Louisiana and Southeast Arkansas. Although the Bank has a diversified loan portfolio, a substantial portion of loan repayment is dependent upon the general economic sector.

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5. Premises and Equipment

Premises and equipment are summarized as follows at the respective dates:

<i>(In thousands)</i>	Estimated Useful Lives	December 31,	
		2023	2022
Cost:			
Land		\$ 1,889	\$ 1,912
Building and improvements	15-40 years	9,033	9,046
Furniture and equipment	3-10 years	4,505	4,206
Vehicles	4-5 years	237	174
Total Cost		15,664	15,338
Less: Accumulated depreciation and amortization		(6,250)	(5,807)
Total Premises and Equipment		<u>\$ 9,414</u>	<u>\$ 9,531</u>

Depreciation expense charged to operations amounted to \$585,000 and \$572,000 for the years ended in December 31, 2023 and 2022, respectively.

6. Leases

Lease Arrangements

The Company enters into leases in the normal course of business primarily for use of building premises. The lease agreements remaining terms range from three to five years, some of which include renewal or termination options to extend the lease up to five years and some of which include options to terminate the lease within one year.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses the bank prime lending rate plus any applicable premium at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known.

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications, are as follows:

<i>(In thousands)</i>	Balance Sheet Classification	December 31,	
		2023	2022
Right-of-use assets:			
Operating leases	Other assets	\$ 75	\$ 64
Total right-of-use assets		<u>\$ 75</u>	<u>\$ 64</u>
Lease liabilities:			
Operating leases	Other liabilities	\$ 75	\$ 64
Total lease liabilities		<u>\$ 75</u>	<u>\$ 64</u>

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6. Leases (Continued)

Lease Expense

The components of total lease cost were as follows for the period ending:

	December 31,	
	2023	2022
Operating lease cost	\$ 107,868	\$ 105,372

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023 are as follows:

	Operating Leases
2024	\$ 108,700
2025	65,967
2026	-
2027	-
2028	-
Thereafter	-
Total undiscounted lease payments	\$ 174,667

7. Goodwill and Other Intangible Assets

Goodwill was recorded as a result of the acquisition of Ashley Bancstock Company effective November 1, 2018. The carrying amount of goodwill as of December 31, 2023 and 2022 was \$2.2 million at each date. The Company performed the required annual goodwill impairment test in the 4th quarter of 2023 indicating that it was more likely than not that the fair value of the reporting unit exceeded its carrying value resulting in no impairment.

Core deposit intangibles were determined and recorded as part of the acquisition of Ashley Bancstock Company. A summary of the core deposit intangible asset as of December 31, 2023 and 2022 is as follows:

<i>(In thousands)</i>	2023	2022
Gross carrying amount	\$ 2,458	\$ 2,458
Less: Accumulated amortization	(1,270)	(1,024)
Net carrying amount	\$ 1,188	\$ 1,434

Amortization expense on the core deposit intangible asset recorded in non-interest expense was \$246,000 for the year ended December 31, 2023. The following table presents the estimated aggregate amortization expense for the periods indicated:

<i>(In thousands)</i>	Amount
2024	\$ 246
2025	246
2026	246
2027	246
2028	204
Thereafter	-
Total core deposit intangible	\$ 1,188

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8. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification 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. Financial institutions are subject to capital adequacy pursuant to the Basel III Capital Rule set forth by the Basel Committee on Banking Supervision. The rule requires minimum capital and adjustments to Prompt Corrective Action (PCA) thresholds. The rule includes common equity tier 1 capital and establishes criteria that instruments must meet in order to be considered common equity tier 1 capital, additional tier 1 capital, or tier 2 capital. The rule maintains the general structure of the current PCA framework while incorporating increased minimum requirements.

Management believes, as of December 31, 2023 and 2022, that the Bank meets all capital adequacy requirements to which it is subject.

In 2019, federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio (CBLR) framework, for qualifying community banking organizations, consistent with Section 201 of the Economic, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020. Qualifying community banks that maintain a leverage ratio of greater than 9 percent are considered to have satisfied the risk-based and leverage capital requirements of the new capital rule and may elect the reduced reporting requirements. Electing banks will only be required to report a leverage ratio calculated as tier 1 capital divided by average total assets.

In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to Section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to Section 4012 of the CARES Act. Under the new provision, the leverage ratio requirement was reduced to greater than 8% for the calendar year 2020, greater than 8.5% for the calendar year 2021, and greater than 9% thereafter.

The Bank elected the reduced reporting under the CBLR in 2020 for regulatory purposes. However, for financial reporting purposes, table information continues to be reported under the Basel III Capital Rule for 2023 and 2022.

As of December 31, 2023, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for Prompt Corrective Action. To be categorized as adequately capitalized, the Bank must maintain minimum ratios as set forth in the following tables. The Bank's actual capital amounts (in thousands) and ratios are also presented in the tables. There are no conditions or events since that notification that management believes have changed the institution's category.

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8. Regulatory Capital (Continued)

The following tables present the capital amounts and ratios for the respective categories as of the dates indicated:

<i>(Dollars in thousands)</i>	Basel III Capital Rule Ratios					
	Actual		Minimum Capital Standards		Prompt Corrective Action Well-Capitalized Thresholds	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Total Capital	\$ 82,806	14.31%	\$ 46,301	8.00%	\$ 57,876	10.00%
Tier 1 Capital	\$ 76,756	13.26%	\$ 34,726	6.00%	\$ 46,301	8.00%
Common Equity Tier 1 Capital	\$ 76,756	13.26%	\$ 26,044	4.50%	\$ 37,619	6.50%
Leverage Capital	\$ 76,756	10.28%	\$ 29,874	4.00%	\$ 37,343	5.00%
December 31, 2022						
Total Capital	\$ 74,572	14.66%	\$ 40,684	8.00%	\$ 50,855	10.00%
Tier 1 Capital	\$ 68,764	13.52%	\$ 30,513	6.00%	\$ 40,684	8.00%
Common Equity Tier 1 Capital	\$ 68,764	13.52%	\$ 22,885	4.50%	\$ 33,055	6.50%
Leverage Capital	\$ 68,764	10.71%	\$ 25,673	4.00%	\$ 32,091	5.00%

The following is a reconciliation of the Bank's equity under GAAP to regulatory capital at the dates indicated:

<i>(In thousands)</i>	December 31,	
	2023	2022
GAAP equity	\$ 79,326	\$ 70,905
Less: Intangible assets, net of taxes and other adjustments	\$ (3,095)	(3,267)
Unrealized (gains)loss on debt securities	\$ 525	1,126
Allowance for loan losses (allowable portion)	\$ 6,050	5,808
Total risk-based Capital	\$ 82,806	\$ 74,572

The consolidated capital amounts are not significantly different than those for the Bank.

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12. Off-Balance Sheet Activities

Credit-Related Financial Instruments

The Company is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, unfunded commitments under lines of credit, and commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2023 and 2022, the following financial instruments were outstanding whose contract amounts represent credit risk:

<i>(In thousands)</i>	Contract Amount	
	2023	2022
Standby letters of credit	\$ 2,941	\$ 1,911
Unfunded commitments under lines of credit	98,229	63,706
Commitments to originate loans	2,260	4,093
Total commitments	<u>\$ 103,430</u>	<u>\$ 69,710</u>

Unfunded commitments under lines-of-credit are commitments for possible future extensions of credit to existing customers. These lines-of-credit consist of commercial and consumer customers and may be secured or unsecured. All of these commitments have a specified maturity date and ultimately may not be drawn upon to the total extent to which the Company is committed.

Standby letters-of-credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support private borrowing arrangements and have expiration dates ranging from within one year to three years. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments but can also extend commitments unsecured. Of the standby letters of credit outstanding at December 31, 2023, \$165,000 was secured and \$2.8 million was unsecured.

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 commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

The Bank is party to certain agreements for lease of premises, data processing and imaging services. These agreements' contractual terms vary and have a final expiration or renewal date between January 2024 and January 2027 at approximately \$75,000 per month. Certain agreements automatically renew for a successive five-year term at market rates at the end of the current term, if no advance notice of termination is given.

Future estimated minimum payments at December 31, 2023 under these agreements are as follows:

	(In thousands)
	Amount
2024	\$ 770
2025	377
2026	219
2027	-
2028	-
Total	<u>\$ 1,366</u>

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13. Deposits

Deposits are summarized as follows at:

<i>(Dollars in thousands)</i>	December 31, 2023		December 31, 2022	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
<u>Demand and Savings</u>				
Noninterest-bearing demand deposits	\$ 230,240	-	\$ 79,532	-
Interest-bearing demand deposits	189,465	2.83%	176,371	1.52%
Money market	164,564	3.91%	174,352	3.03%
Savings	55,153	0.29%	65,567	0.08%
Total Demand and Savings	\$ 639,422		\$ 495,822	
<u>Time Deposits</u>				
0.00% to 0.99%	\$ 4,142	0.48%	\$ 26,897	0.36%
1.00% to 1.99%	16,195	1.53%	19,637	1.23%
2.00% to 2.99%	9,435	2.28%	15,092	2.20%
3.00% to 3.99%	4,259	3.13%	2,587	3.03%
4.00% to 4.99%	6,659	4.50%	347	4.00%
Total Time Deposits	\$ 40,690		\$ 64,561	
Total Deposits	\$ 680,112		\$ 560,383	

Scheduled maturities of time deposits at December 31, 2023 are as follows:

2024	\$ 35,340
2025	4,388
2026	511
2027	106
Thereafter	345
Total	\$ 40,690

Time deposits with a balance of \$250,000 or more amounted to approximately \$18.3 million and \$35.7 million at December 31, 2023 and 2022, respectively.

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FINANCIAL CORPORATION

14. Income Taxes

Income tax expense is summarized as follows:

<i>(In thousands)</i>	Years Ended December 31	
	2023	2022
Current:		
Federal	\$ 1,767	\$ 1,562
State	80	155
Deferred:		
Federal-Current Year	(206)	(95)
State-Current Year	(23)	36
Total Provision For Income Taxes	<u>\$ 1,618</u>	<u>\$ 1,658</u>

A reconciliation of the Company's provision for income taxes and the amount computed by applying the combined U.S. statutory federal and applicable state income tax rate of 22.5% and 22.7% for 2023 and 2022 respectively pretax income is as follows:

<i>(In thousands)</i>	Years Ended December 31	
	2023	2022
Tax computed at 22.5% and 22.7%	\$ 1,882	\$ 1,562
Increases (decreases) in taxes resulting from:		
Prior year tax benefit	(37)	29
Nontaxable income	(118)	(108)
Other, net	(109)	175
Total Provision For Income Taxes	<u>\$ 1,618</u>	<u>\$ 1,658</u>
Effective Tax Rate	<u>19.33%</u>	<u>24.10%</u>

The components of the deferred income taxes included in other assets in the statements of condition are approximately as follows:

<i>(In thousands)</i>	Years Ended December 31	
	2023	2022
Allowance for credit losses	\$ 1,172	\$ 1,115
Deferred compensation plan	806	627
Unrealized loss on available-for-sale securities	140	299
Net operating loss carry forward	85	158
Stock compensation plans	53	36
Nonaccrual interest	20	27
State tax	16	22
Subtotal deferred tax asset	<u>2,292</u>	<u>2,284</u>
Core deposit intangible	(310)	(394)
Asset cost basis	(132)	(149)
Accumulated depreciation	(111)	(69)
Other investments basis	(24)	(26)
Subtotal deferred tax liability	<u>(577)</u>	<u>(638)</u>
Net deferred tax asset	<u>\$ 1,715</u>	<u>\$ 1,646</u>

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FINANCIAL CORPORATION

14. Income Taxes (Continued)

Other assets at December 31, 2023 included income taxes receivable of \$176,000

Other assets at December 31, 2022 included income taxes receivable of \$168,000.

The Bank has reviewed its various tax positions taken or expected to be taken in its tax returns and has determined it does not have unrecognized tax benefits, nor does it expect that position to change significantly over the next twelve months. The Bank recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2023, it has not accrued interest or penalties related to uncertain tax positions.

The Bank files an annual U.S. Federal income tax return. Federal income tax returns for the tax years 2020 and beyond remain subject to examination by the Internal Revenue Service.

15. Foreclosed Assets

Foreclosed assets, including real estate, represent property acquired through foreclosure or deeded in lieu of foreclosure on loans on which the borrowers have defaulted as to payment of principal and interest. The Bank also transfers to this category those loans meeting the applicable criteria for loans considered repossessions in substance. Amounts are carried at the asset's estimated fair value less estimated costs to sell. Reductions in the balance at the date of transfer are charged to the allowance for loan losses. Any subsequent write downs to reflect current fair value are charged to noninterest expense and credited to a valuation allowance for foreclosed assets. Direct costs incurred in foreclosures are also charged to noninterest expense. Foreclosed assets were \$479,000 and \$813,000 at December 31, 2023 and 2022 respectively. There were no capitalized expenditures nor provision for writedowns in 2023 and 2022.

Foreclosed assets activity was as follows for the years ended December 31, 2023 and 2022:

<i>(In thousands)</i>	2023	2022
Beginning Balance	\$ 813	\$ 30
Loans transferred to foreclosed assets	59	860
Sales of foreclosed assets	(393)	(77)
End of Year Balance	\$ 479	\$ 813

Valuation allowance activity for the years ended December 31, 2023 and 2022:

<i>(In thousands)</i>	2023	2022
Beginning Balance	\$ -	\$ 18
Reductions from sales of assets	-	(18)
End of Year Balance	\$ -	\$ -

Expenses related to foreclosed assets for the years ended December 31, 2023 and 2022:

<i>(In thousands)</i>	2023	2022
Net (gain)/loss on sales	\$ 19	\$ (10)
Operating expenses, net of rental income	78	(5)
Total	\$ 97	\$ (15)

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FINANCIAL CORPORATION

16. Retirement Plans

401K Plan

The Bank also participates in an employee 401(k) retirement plan. Employees contribute up to 6% of their compensation to the plan, with the Bank matching 75% of such contributions. The Bank's contribution expense to this plan amounted to \$280,000 and \$258,000 for December 2023 and 2022, respectively.

17. Deferred Compensation Plans

The Bank implemented a deferred compensation plan in late 1993 for certain key employees, and in 1996, for certain directors. The plans generally provide for retirement, death or disability payments, payable over 10 years or life for key employees and 20 years for directors. The Bank obtained insurance on these individuals to provide for funding of the plan; however, the policies themselves are not pledged against the benefits. The plan limits the ultimate benefits to the cash surrender value (CSV) in the policies, after a certain return is realized by the Bank from those policies. Thus, based upon this limitation, deferred compensation is recognized to the extent of the CSV increase each year, once the Bank realizes its return. The Bank incurred deferred compensation expense of \$505,000 and \$469,000 for the years ended December 31, 2023 and 2022, respectively.

In 2018, the Bank acquired certain endorsement split-dollar life insurance policies in a business combination. These policies provide death benefits to the Bank and designated beneficiaries of certain current and former employees of the acquired entity. Upon issuance of the policy, the Bank and the employee executed an endorsement to the policy in favor of the employee (the "Endorsement Plan"). The Endorsement Plan gives the employee the right, upon the employee's death while the split-dollar insurance agreement (the "Agreement") is in force, to designate the beneficiary of the proceeds from the policy in excess of the policy's cash surrender value (the "Endorsement Amount"). The Bank has the right to terminate the Agreement upon proper written notice to the employee subject to the limitation of the employee's completion of 25 years of service with the Bank. The Bank estimates and records the liability for the obligation to the employee and the corresponding expense.

Following is a summary of changes in deferred compensation payable and the related cash values of the life insurance contracts for the years ended:

<i>(In thousands)</i>	December 31,	
	2023	2022
Cash surrender value of life insurance contracts	\$ 16,440	\$ 15,883
Earnings of life insurance contracts - directors	33	5
Earnings of life insurance contracts - officers	287	428
Deferred compensation payable - directors	2,310	1,861
Deferred compensation payable - officers	1,492	1,095
Deferred compensation paid to retirees	83	56

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18. Stock-Based Compensation Plans

The Company has two stock-based compensation plans in effect at December 31, 2023. These are the 2010 Employee Stock Ownership Plan and the 2021 Stock Incentive Plan.

Employee Stock Ownership Plan

Under the Employee Stock Ownership Plan (ESOP), employees are generally eligible to participate in the ESOP after completion of one year of service and attaining the age of 21. The ESOP purchased 78,797 shares adjusted for stock dividends paid which were facilitated by a loan from the Company to the ESOP in the amount of \$667,040. The loan is secured by a pledge of the ESOP shares. The shares pledged as collateral are reported as unearned ESOP shares in the Consolidated Balance Sheet. The corresponding note is being repaid in eighty (80) quarterly debt service payments of \$11,372 on the last business day of each quarter, beginning December 31, 2010, at a rate of 3.25%.

The Company may contribute to the ESOP, in the form of debt service, at the discretion of its board of directors. Cash dividends, if any, on the Company's stock shall either be used to repay the loan, be distributed to the participants in the ESOP, or be retained in the ESOP and reinvested in the Company stock. Shares are released for allocation to ESOP participants based on principal and interest payments on the note. Compensation expense is recognized based on the number of shares allocated to ESOP participants each year and the average fair value of the shares for the current year. Released ESOP shares become outstanding for earnings per share computations.

As compensation expense is incurred, the Unearned ESOP shares account is reduced based on the original cost of the stock. The difference between the cost and the average market price of shares released for allocation is applied to Additional Paid-In Capital. Compensation expense for the years ended December 31, 2023 and 2022 was \$105,000 and \$120,000, respectively. The total income tax benefit recognized for the years ending December 31, 2023 and 2022 was \$22,000 and \$25,000, respectively. There were 4,044 shares released each year for 2023 and 2022 adjusted for stock dividends paid. At December 31, 2023, 27,300 shares were unreleased with a market value of \$846,300.

2011 Restricted Stock Plan

The 2011 Recognition and Retention Plan (RRP), a restricted stock plan, terminated on the tenth anniversary of the effective date in 2021. During 2022, the final 184 shares vested. As of December 31, 2022, no shares remain unvested.

For the 2011 RRP, the following table represents unearned allocated restricted shares activity for the year ended December 31, 2022:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2022	184	\$ 24.46
Granted	-	-
Forfeited	-	-
Vested or earned	(184)	-
Outstanding at December 31, 2022	-	\$ -

The compensation expense that has been charged against income was \$5,000 in 2022. The total income tax benefit recognized in the income statement for 2022 was \$1,000. There was no remaining unearned compensation related to restricted shares at December 31, 2022.

Compensation expense of restricted shares is based on the fair value of the shares determined at the date of grant and is recognized over the vesting period.

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18. Stock-Based Compensation Plans (Continued)

Stock Incentive Plan

The 2021 Stock Incentive Plan (SIP) was implemented upon approval in 2021. Its purpose is to improve the growth and profitability of the Company and its subsidiary, Century Next Bank, by providing employees and non-employee directors with a proprietary interest in the Company as an incentive to contribute to the success of the consolidated group. Under the 2021 SIP, the Company may grant stock options and restricted share awards to employees and non-employee directors. The aggregate number of shares of common stock which may be issued pursuant to the 2021 SIP, subject to adjustment for capital changes, shall be 176,400.

Stock Options

Under the 2021 SIP, the Company could grant options to its employees and non-employee directors. Stock options could be either Incentive Stock Options or Non-Qualified Stock Options. Other than the maximum shares available for issuance pursuant to the 2021 SIP, there is no limit on the number of shares that may be covered by Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options could be granted only to employees of the Company or any affiliate. Non-Qualified Stock Options could be granted to employees and directors of the Company or its affiliate. The exercise price per share would be determined at the time of grant but would not be less than one hundred percent (100%) of the fair market value on the grant date in the case of Incentive Stock Options. If an Incentive Stock Option were granted to a person who owns 10% or more of the Company's voting stock, the exercise price per share for the common stock covered by such Incentive Stock Option would be not less than one hundred ten percent (110%) of the fair market value on the grant date. No stock option would be exercisable more than ten (10) years after the date of grant. If an Incentive Stock Option was granted to a person who owns 10% or more of the Company's voting stock, the term of such option would be no more than five (5) years from the grant date. Stock options would become exercisable at such time or times, whether or not in installments, as would be determined by the Board of Directors or the Committee and set forth in the option agreement evidencing such option. Any portion of an option that was not exercisable on the date of termination of an applicable service relationship would immediately expire. Once any portion of an option became vested and exercisable, it would continue to be exercisable by the grantee or his or her representatives at any time or times prior to the earliest of (i) the date which is (a) three years following the date on which the grantee's service relationship terminates due to retirement or disability, (b) twelve months following the grantee's death, or (c) six months following the date on which the grantee's service relationship terminates if the termination is due to any other reason, or (ii) the expiration date set forth in the option agreement; provided, however, that the Board or SOP Committee could revoke, rescind and terminate any options if the grantee's service relationship was terminated for cause. The options vest at a rate no more rapid than 20% per year. All options would vest and become exercisable upon death, disability or retirement of the grantee or a change in control of the Company.

Stock options were granted in November 2021 for 111,925 shares of Company stock under the 2021 SIP. Of the 111,925 shares granted, 3,965 shares were forfeited as of December 31, 2022. The plan allows for forfeited shares to be re-granted. During 2023, 24,832 shares vested. As of December 31, 2023, 61,536 shares remain unvested. All shares have been adjusted for any stock dividends paid. No options were granted during 2023.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for grants made during the year ended December 31. No grants were made during 2023 and 2022.

The expected dividend yield assumption is based on the Company's historical record of dividend payouts. The Company has elected to use the "simplified" method outlined in SAB 107 (Question 6 of Sub-Section 2, Valuation Methods) to compute the expected life of the options since the options granted are "plain vanilla." The expected volatility is based on annual average volatility of its share price using the standard deviation of the closing price over 10-day trading periods multiplied by the square root of the number of days in the year. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant.

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18. Stock-Based Compensation Plans (Continued)

A summary of the status options under the Company's 2021 Stock Incentive Plan is presented below for the years ended December 31, 2023 and 2022:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at January 1, 2023	107,960	\$ 34.00		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding at December 31, 2023	<u>107,960</u>	<u>\$ 34.00</u>	<u>7.90</u>	<u>\$ -</u>
Exercisable at December 31, 2023	<u>46,424</u>	<u>\$ 34.00</u>	<u>7.90</u>	<u>\$ -</u>
Outstanding at January 1, 2022	-	\$ -		
Granted	111,925	34.00		
Exercised	-	-		
Forfeited or expired	(3,965)	-		
Outstanding at December 31, 2022	<u>107,960</u>	<u>\$ 34.00</u>	<u>8.90</u>	<u>\$ -</u>
Exercisable at December 31, 2022	<u>21,592</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 592,484</u>

The aggregate intrinsic value of a stock option in the table above represents the amount by which the current market value of the underlying stock exceeds the exercise price of the option had all option holders exercised their options on December 31, 2023 and 2022, respectively. This amount changes as the market value of the Company's stock changes. There were 46,424 and 21,592 options exercisable at December 31, 2023 and 2022, respectively.

Information pertaining to options outstanding at December 31, 2023 is as follows:

Options	Shares	Weighted Average Exercise Price
Nonvested at January 1, 2023	86,368	\$ 34.00
Granted	-	-
Vested	(24,832)	-
Forfeited	-	-
Nonvested at December 31, 2023	<u>61,536</u>	<u>\$ 34.00</u>

No options were granted during 2023 and 2022. At December 31, 2023, there were 24,832 options vested including 3,240 options for which vesting was accelerated due to retirement of participants. The compensation expense that has been charged against income was \$217,000 and \$189,000 for 2023 and 2022, respectively. The total income tax benefit recognized in the income statement was \$17,000 for 2023 and 2022. The total remaining unearned compensation related to stock options at December 31, 2023 was \$521,000 and will be amortized over a weighted-average remaining vesting period of 2.9 years. Compensation expense under the SIP is based on the fair value of the options granted determined at the date of grant and is also recognized as the options vest.

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18. Stock-Based Compensation Plans (Continued)

Restricted Share Awards

Under the 2021 SIP, restricted share awards may be granted to employees and non-employee directors. The maximum number of common stock to which share awards may be issued under the 2021 SIP shall be 25% of the total shares available for issuance under the 2021 SIP. There were 44,100 shares authorized under the 2021 SIP. At December 31, 2023, there were 8,070 shares remaining available for share awards.

The shares may be acquired through open market purchases to the extent available or fulfilled by the issuance of un-issued shares of the Company. Restricted share awards were granted in November 2021 for 37,350 shares of Company stock under the 2021 SIP. Of the 37,350 shares granted, 1,320 shares were forfeited during 2022. The plan allows for forfeited shares to be re-granted. During 2023, 7,206 shares vested. As of December 31, 2023, 21,618 shares remain unvested. Shares granted will vest at a rate of no more rapid than 20% per year beginning one year from the anniversary date of the grant. All shares have been adjusted for any stock dividends paid.

The following table represents unearned allocated restricted shares activity for the year ended December 31, 2023:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	28,824	\$ -
Granted	-	-
Forfeited	-	-
Vested or earned	(7,206)	-
Outstanding at December 31, 2023	21,618	\$ 34.00

During 2023, the Company made no restricted share awards. The compensation expense that has been charged against income was \$245,000 and \$244,000 in 2023 and 2022, respectively. The total income tax benefit recognized in the income statement was \$51,000 in 2023 and 2022. The total remaining unearned compensation related to restricted shares at December 31, 2023 was \$706,000 and will be amortized over a weighted-average remaining vesting period of 2.9 years. Compensation expense of restricted share awards is based on the fair value of the shares determined at the date of grant and is recognized over the vesting period.

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19. Short-Term Borrowings

Federal Funds Sold and Federal Home Loan Advances

The Company had an uncollateralized federal funds line of credit with a correspondent bank aggregating \$19.3 million and a collateralized Federal Home Loan Bank of Dallas (“FHLB”) line of credit totaling \$224.4 million at December 31, 2023. The Bank’s borrowing availability both short- and long-term with the Federal Home Loan Bank of Dallas at December 31, 2023 was \$184.2 million under current terms with the Federal Home Loan Bank. At December 31, 2023 the Company had no short-term advances on its FHLB line of credit. These lines of credit generally have interest rates indexed to the Federal Funds rate, short-term U.S. Treasury rates, or LIBOR or may be a fixed rate. FHLB advances are collateralized by loans and investment securities. The Company also had letters of credit guarantees from the FHLB for \$40.2 million at December 31, 2023. Of these letters of credit, all \$40.2 million were issued to secure public fund deposits. These letters of credit have varying expiration dates in 2024. As of December 31, 2023, \$570.6 million in loans were pledged as collateral for FHLB advances. All lines of credit are on an “as available” basis and can be revoked by the grantor at any time.

Total short-term debt at the respective dates is summarized as follows:

<i>(In thousands)</i>	Interest	Settlement	Maturity	December 31,	
	Rate	Date	Date	2023	2022
Federal Home Loan Bank fixed-rate advance	1.67%	9/5/2019	9/6/2023	\$ -	\$ 6,000
Total Short-Term Debt				\$ -	\$ 6,000

Securities Sold Under Agreements to Repurchase

There were no securities sold under agreements to repurchase as of December 31, 2023 and 2022.

20. Long-Term Debt

Long-term debt includes advances from the Federal Home Loan Bank of Dallas (FHLB). Such advances are secured by deposit accounts with the FHLB, Bank-owned FHLB capital stock, investment securities held at the FHLB, and a blanket lien on certain loans. At December 31, 2023 and 2022, the Company had no long-term advances outstanding on its FHLB line of credit.

At December 31, 2023, all of the Company’s subordinated debentures due to the Trust were floating rate securities for which interest resets quarterly at 1.80% above the 3-month LIBOR (7.45% at December 31, 2023). All of the debentures are currently callable, subject to regulatory approval, without penalty and mature in December 2036.

Under the terms of the indenture agreement, the Company may defer interest payments for up to 20 consecutive quarterly periods without causing an event of default. No deferred interest was due at December 31, 2023.

Total long-term debt at the respective dates is summarized as follows:

<i>(In thousands)</i>	Interest	Settlement	Maturity	December 31,	
	Rate	Date	Date	2023	2022
Subordinated note	7.45%	11/7/2006	12/15/2036	\$ 8,454	\$ 8,454
Total Long-Term Debt				\$ 8,454	\$ 8,454

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21. Earnings Per Share

Basic and diluted earnings per share are calculated as follows:

	Years Ended December 31	
	2023	2022
<u>Basic Earnings per Share:</u>		
Net income	\$ 6,752,000	\$ 5,223,000
Weighted average common shares outstanding	1,789,227	1,776,342
Basic Earnings per Share	\$ 3.77	\$ 2.94
<u>Diluted Earnings per Share:</u>		
Net income	\$ 6,752,000	\$ 5,223,000
Weighted average common shares outstanding	1,789,227	1,776,342
Effect of dilutive securities	-	-
Weighted average common shares outstanding - diluted	1,789,227	1,776,342
Diluted Earnings per Share	\$ 3.77	\$ 2.94

Earnings per share are based on the weighted-average number of shares outstanding during the year and have been adjusted for stock dividends paid.

22. Fair Value of Assets and Liabilities

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. 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 upon 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 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. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

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22. Fair Value of Assets and Liabilities (Continued)

Fair Value Hierarchy

The Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2—Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3—Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

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.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Securities

Where quoted prices are available in an active market, we classify the securities within level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds and exchange-traded equities.

If quoted market prices are not available, we estimate fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within level 2 of the valuation hierarchy, include GSE obligations, corporate bonds, and other securities. Mortgage-backed securities are included in level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, we classify those securities in level 3.

Loans Receivable

The fair values for all loans are estimated using discounted cash flow analyses at market interest rates for comparable loans. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

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FINANCIAL CORPORATION

22. Fair Value of Assets and Liabilities (Continued)

Deposit Liabilities

The fair values for noninterest- and interest-bearing checking, money market, and savings accounts are equal to the amount payable on demand at the reporting date, which is also equal to their carrying amounts. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on comparable instruments to a schedule of aggregated expected monthly maturities on time deposits.

Short-Term Borrowings

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

Long-Term Borrowings

Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

Off-Balance Sheet Credit-Related Instruments

Fair values for off-balance-sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

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22. Fair Value of Assets and Liabilities (Continued)

Items Measured at Fair Value on a Recurring Basis

For the Company, items recorded at fair value on a recurring basis are securities available for sale and loans held for sale. These securities consist primarily of mortgage-backed (including Agency) securities. For Level 1 measurements, the Company uses quoted market prices of identical assets on active exchanges as available. For Level 2 measurements, the Company typically employs quoted market prices of similar instruments, including matrix pricing and/or discounted cash flows, to estimate a value of these securities where such quoted market prices are not available. Level 3 measurements include discounted cash flow analyses based on assumptions that are not readily observable in the market place, including projections of future cash flows, loss assumptions, and discount rates.

The following table presents financial assets measured at fair value on a recurring basis at December 31, 2023 and 2022:

<i>(In thousands)</i>	December 31, 2023			
	Level 1	Level 2	Level 3	Estimated Fair Value
<u>Securities available for sale:</u>				
US Treasury certificates	\$ -	\$ 4,212	\$ -	\$ 4,212
FRESB certificates	-	10,442	-	10,442
FHLMC certificates	-	4,398	-	4,398
GNMA certificates	-	390	-	390
FHR certificates	-	2	-	2
FNMA certificates	-	6,548	-	6,548
FNR certificates	-	2	-	2
SBA pools	-	937	-	937
Municipal securities	-	7,092	-	7,092
Total securities available for sale	-	34,023	-	34,023
Loans held for sale	-	1,091	-	1,091
Total assets at fair value	\$ -	\$ 35,114	\$ -	\$ 35,114
December 31, 2022				
<i>(In thousands)</i>	Level 1	Level 2	Level 3	Estimated Fair Value
<u>Securities available for sale:</u>				
US Treasury certificates	\$ -	\$ 4,103	\$ -	\$ 4,103
FRESB certificates	-	5,952	-	5,952
FHLMC certificates	-	2,465	-	2,465
GNMA certificates	-	454	-	454
FHR certificates	-	2	-	2
FNMA certificates	-	6,329	-	6,329
FNR certificates	-	2	-	2
SBA pools	-	979	-	979
Municipal securities	-	3,624	-	3,624
Total securities available for sale	-	23,910	-	23,910
Loans held for sale	-	1,624	-	1,624
Total assets at fair value	\$ -	\$ 25,534	\$ -	\$ 25,534

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FINANCIAL CORPORATION

22. Fair Value of Assets and Liabilities (Continued)

Items Measured at Fair Value on a Non-Recurring Basis

From time to time, certain assets may be recorded at fair value on a non-recurring basis, typically as a result of the application of lower of cost or fair value accounting or a write-down occurring during the period. The only item recorded at fair value on a non-recurring basis is foreclosed assets, which is recorded at the estimated fair value less estimated costs to sell. Fair value is determined by reference to appraisals (performed either by the Bank or by independent appraisers) on the subject property, using market prices of similar real estate assets (Level 2 measurements). The Bank held foreclosed assets with an estimated fair value of \$479,000 and \$813,000 at December 31, 2023 and 2022 respectively.

Fair value of assets and liabilities measured on a non-recurring basis at the dates presented are as follows:

<i>(In thousands)</i>	Level 1	Level 2	Level 3	Estimated Fair Value
<u>December 31, 2023</u>				
Other foreclosed assets	\$ -	\$ 479	\$ -	\$ 479
<u>December 31, 2022</u>				
Other foreclosed assets	\$ -	\$ 813	\$ -	\$ 813

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments are as follows:

	December 31, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and balances due from banks	\$ 5,987	\$ 5,987	\$ 7,291	\$ 7,291
Interest-bearing deposits in banks	96,724	96,724	33,194	33,194
Federal funds sold	2,250	2,250	1,925	1,925
Securities available for sale	34,023	34,023	23,910	23,910
Securities held to maturity	2,047	1,709	2,231	1,886
Federal Home Loan Bank stock	1,627	1,627	1,551	1,551
Other equity investments	449	449	429	429
Loans held for sale	1,091	1,091	1,624	1,624
Loans, net of unearned income	592,172	572,156	542,116	526,883
Accrued interest receivable	2,807	2,807	2,115	2,115
Cash surrender value of bank-owned life insurance	16,440	16,440	15,883	15,883
Total financial assets	<u>\$ 755,617</u>	<u>\$ 735,263</u>	<u>\$ 632,269</u>	<u>\$ 616,691</u>
Financial liabilities:				
Deposits	\$ 680,112	\$ 706,853	\$ 560,383	\$ 601,276
Short-term borrowings	-	-	6,000	5,864
Long-term borrowings	8,454	12,151	8,454	10,865
Accrued interest payable	113	113	53	53
Total financial liabilities	<u>\$ 688,679</u>	<u>\$ 719,117</u>	<u>\$ 574,890</u>	<u>\$ 618,059</u>
Off-balance sheet credit related to financial instruments:				
Standby letters of credit	\$ -	\$ 5	\$ -	\$ 23
Commitments to extend credit	\$ -	\$ 749	\$ -	\$ 242

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23. Subsequent Events

The Bank is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The Bank performed such an evaluation through the date which the financial statements were available to be issued, and noted no such subsequent events.

24. Parent Company Financial Statements

Financial information pertaining only to Century Next Financial Corporation as of December 31, 2023 and 2022 is as follows:

<i>(In thousands)</i>	December	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 202	\$ 1,179
Investment in subsidiary	79,327	70,905
Note receivable-subsiary for ESOP	275	311
Other assets	571	587
TOTAL ASSETS	80,375	72,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Long-term debt	8,454	8,454
Accrued interest payable and other liabilities	28	24
Total Liabilities	8,482	8,478
 Stockholders' Equity	 71,893	 64,504
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 80,375	\$ 72,982
	Years Ended December 31	
<i>(In thousands)</i>	2023	2022
INCOME		
Interest and dividend income	\$ 52	\$ 35
Total Income	52	35
EXPENSE		
Interest expense	605	303
Professional expense	59	58
Other noninterest expense	5	5
Total Expense	669	366
Income (loss) Before Taxes	(617)	(331)
Applicable income taxes (benefit)	(128)	5
Net Income (loss) before equity in undistributed income of subsidiary	(489)	(336)
Equity in subsidiary earnings	7,242	5,559
NET INCOME	\$ 6,753	\$ 5,223

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24. Parent Company Financial Statements (Continued)

<i>(In thousands)</i>	Years Ended December 31	
	2023	2022
Cash flows from operating activities:		
Net Income	\$ 6,753	\$ 5,223
Adjustments to reconcile net income		
to net cash provided (used) by operating activities:		
Equity in undistributed earnings of subsidiary	(7,242)	(5,559)
Net decrease in accrued interest and other liabilities	4	16
Net decrease in notes receivable and other assets	51	106
Total adjustments	(7,187)	(5,437)
Net cash used by operating activities	(434)	(214)
Cash flows from investing activities:		
Net cash used by investing activities	(1)	-
Cash flows from financing activities:		
Proceeds from issuance of common stock to 401k participants	251	235
Expenditures for repurchase of 401k shares from participants	(58)	(64)
Expenditures from cash out of stock options	-	-
Proceeds from exercise of stock options, including tax benefit	-	-
Expenditures for repurchase of restricted shares vested	(22)	(23)
Cash paid to fractional shareholders for stock dividend	-	-
Cash dividends paid on common stock	(582)	(543)
Expenditures for repurchase of ESOP shares from participants	(131)	(84)
Net cash provided (used) by financing activities	(542)	(479)
Net decrease in cash and cash equivalents	(977)	(693)
Cash and cash equivalents, at beginning of period	1,179	1,872
Cash and cash equivalents, at end of period	\$ 202	\$ 1,179