Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The Annual Report of Holding Companies must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Barry J. Haag
Name of the Holding Company Director and Officer
Chairman/CEO & Director
Title of the Holding Company Director and Official
attest that the Annual Report of Holding Companies (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Officer
02/11/2020
Date of Signature

For holding companies not registered with the SEC—Indicate status of Annual Report to Shareholders:

☒ is included with the FR Y-6 report
☐ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only

RSSID ID ________________________________
C.I. ____________________________________

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2019
Month / Day / Year

N/A
Report's Legal Entity Identifier (LEI) (20-Character LEI Code)

First Texas Bancorp, Inc.
Legal Title of Holding Company
P. O. Box 649
(Mailing Address of the Holding Company) Street / P.O. Box
Georgetown TX 78627
City State Zip Code

900 S. Austin Avenue
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:
Barry J. Haag Chairman/CEO & Director
Name Title
P. O. Box 649
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? ☒ Yes ☐ No ☑
In accordance with the General Instructions for this report (check only one):
1. a letter justifying this request is being provided along with the report ...
2. a letter justifying this request has been provided separately ...

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

FR 90
OMB Number 7100-0297
Approval Number 7100-0297
Page 1 of 2

Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

12/2019
For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

<table>
<thead>
<tr>
<th>Legal Title of Subsidiary Holding Company</th>
<th>Legal Title of Subsidiary Holding Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</td>
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</tr>
<tr>
<td>City</td>
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<tr>
<td>Physical Location (if different from mailing address)</td>
<td>Physical Location (if different from mailing address)</td>
</tr>
</tbody>
</table>

12/2012
REPORT ITEM #1

ANNUAL REPORTS TO SHAREHOLDERS

Financial statements for First Texas Bancorp, Inc. Consolidated and Parent Company Only two-year comparative have been included with this report.
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES

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<td>Consolidated statements of cash flows</td>
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</tr>
</tbody>
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
First Texas Bancorp, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Texas Bancorp, Inc. (the Company) and subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
INDEPENDENT AUDITOR'S REPORT - CONTINUED

Auditor's Responsibility - Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Texas Bancorp, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the 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.

Tate & Co., L.L.P.

Austin, TX
February 3, 2020
### FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
### DECEMBER 31, 2019 AND 2018

#### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and due from banks</td>
<td>$14,252,775</td>
<td>$19,372,704</td>
</tr>
<tr>
<td>Interest-bearing accounts</td>
<td>57,771,740</td>
<td>93,860,835</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>72,024,515</td>
<td>113,233,539</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>61,875,224</td>
<td>59,164,120</td>
</tr>
<tr>
<td>Investment securities held-to-maturity</td>
<td>496,141,139</td>
<td>508,018,200</td>
</tr>
<tr>
<td>Loans, net</td>
<td>428,938,772</td>
<td>382,164,069</td>
</tr>
<tr>
<td>Long-lived asset held for sale</td>
<td>-</td>
<td>633,342</td>
</tr>
<tr>
<td>Bank premises and equipment, net</td>
<td>12,669,506</td>
<td>12,210,320</td>
</tr>
<tr>
<td>Cash surrender value of life insurance</td>
<td>27,494,446</td>
<td>27,848,082</td>
</tr>
<tr>
<td>Other assets</td>
<td>9,085,833</td>
<td>8,409,765</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,108,229,435</strong></td>
<td><strong>$1,111,681,437</strong></td>
</tr>
</tbody>
</table>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noninterest-bearing deposits</td>
<td>$428,708,110</td>
<td>$421,751,811</td>
</tr>
<tr>
<td>Interest-bearing deposits</td>
<td>527,044,899</td>
<td>546,167,756</td>
</tr>
<tr>
<td>Total deposits</td>
<td>955,753,009</td>
<td>967,919,567</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>15,556,171</td>
<td>15,214,465</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>971,309,180</strong></td>
<td><strong>983,134,032</strong></td>
</tr>
<tr>
<td>Class A common stock, $1 par value per share, 20,000,000 shares authorized, 672,695 shares issued and outstanding</td>
<td>672,695</td>
<td>672,695</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>10,719,038</td>
<td>10,719,038</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>129,198,928</td>
<td>120,805,799</td>
</tr>
<tr>
<td>Accumulated other comprehensive gain (loss)</td>
<td>395,891</td>
<td>(626,864)</td>
</tr>
<tr>
<td>Less 26,524 and 21,238 shares common stock in treasury, cost</td>
<td>(4,066,297)</td>
<td>(3,023,263)</td>
</tr>
<tr>
<td><strong>Total stockholders' equity</strong></td>
<td><strong>136,920,255</strong></td>
<td><strong>128,547,405</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,108,229,435</strong></td>
<td><strong>$1,111,681,437</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTEREST INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and fees on loans</td>
<td>$22,092,546</td>
<td>$19,935,433</td>
</tr>
<tr>
<td>Interest on investment securities</td>
<td>11,685,035</td>
<td>10,601,767</td>
</tr>
<tr>
<td>Interest on interest-bearing accounts</td>
<td>1,538,287</td>
<td>1,435,043</td>
</tr>
<tr>
<td></td>
<td>35,315,868</td>
<td>31,972,243</td>
</tr>
<tr>
<td>INTEREST EXPENSE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>1,303,767</td>
<td>939,687</td>
</tr>
<tr>
<td></td>
<td>34,012,101</td>
<td>31,032,556</td>
</tr>
<tr>
<td>(NEGATIVE) PROVISION FOR LOAN LOSSES</td>
<td>(113,000)</td>
<td>128,000</td>
</tr>
<tr>
<td>Net interest income after provision for loan losses</td>
<td>34,125,101</td>
<td>30,904,556</td>
</tr>
<tr>
<td>OTHER INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATM and debit card income</td>
<td>2,194,004</td>
<td>2,139,960</td>
</tr>
<tr>
<td>Service fees</td>
<td>1,701,738</td>
<td>1,587,589</td>
</tr>
<tr>
<td>Earnings on cash surrender value</td>
<td>1,040,464</td>
<td>1,055,338</td>
</tr>
<tr>
<td>Other</td>
<td>1,213,783</td>
<td>889,995</td>
</tr>
<tr>
<td></td>
<td>6,149,989</td>
<td>5,672,882</td>
</tr>
<tr>
<td>OTHER EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>12,791,361</td>
<td>12,920,820</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>4,471,586</td>
<td>4,584,829</td>
</tr>
<tr>
<td>Occupancy expenses, net</td>
<td>2,500,101</td>
<td>2,623,046</td>
</tr>
<tr>
<td>ATM and debit card expenses</td>
<td>1,205,275</td>
<td>1,075,935</td>
</tr>
<tr>
<td>Professional fees</td>
<td>755,360</td>
<td>539,210</td>
</tr>
<tr>
<td>FDIC and banking assessment</td>
<td>210,960</td>
<td>462,465</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>3,806,669</td>
<td>3,586,364</td>
</tr>
<tr>
<td></td>
<td>25,741,312</td>
<td>25,792,669</td>
</tr>
<tr>
<td>Income before Federal income taxes</td>
<td>14,533,778</td>
<td>10,784,769</td>
</tr>
<tr>
<td>Federal income taxes</td>
<td>2,904,601</td>
<td>2,049,514</td>
</tr>
<tr>
<td>Net income</td>
<td>$11,629,177</td>
<td>$8,735,255</td>
</tr>
</tbody>
</table>

Per share of common stock (based on average shares outstanding of 648,256 and 651,457)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$17.94</td>
<td>$13.41</td>
</tr>
<tr>
<td>Cash dividends declared</td>
<td>$5.00</td>
<td>$4.00</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET INCOME</td>
<td>$11,629,177</td>
<td>$8,735,255</td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME, NET OF TAX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain (loss) on securities available-for-sale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gain (loss) arising during the period</td>
<td>1,022,755</td>
<td>(348,975)</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME</td>
<td>$12,651,932</td>
<td>$8,386,280</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>Common Stock Class A</th>
<th>Additional Paid-in Capital</th>
<th>Retained Earnings</th>
<th>Accumulated Comprehensive (Loss) Income</th>
<th>Treasury Stock</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCES, DECEMBER 31, 2017</td>
<td>$672,695</td>
<td>$10,719,038</td>
<td>$114,676,372</td>
<td>$ (277,889)</td>
<td>$ (3,023,263)</td>
</tr>
</tbody>
</table>

**COMPREHENSIVE INCOME**

- Net income
- Other comprehensive loss

**TOTAL COMPREHENSIVE INCOME**

| Purchase of treasury stock | - | - | - | - | - | - |
| Cash dividends declared | - | - | (2,605,828) | - | - | (2,605,828) |

**BALANCES, DECEMBER 31, 2018**

| $672,695 | $10,719,038 | $120,805,799 | (626,864) | (3,023,263) | 128,547,405 |

**COMPREHENSIVE INCOME**

- Net income
- Other comprehensive income

**TOTAL COMPREHENSIVE INCOME**

| Purchase of treasury stock | - | - | - | - | (1,043,034) | (1,043,034) |
| Cash dividends declared | - | - | (3,236,048) | - | - | (3,236,048) |

**BALANCES, DECEMBER 31, 2019**

| $672,695 | $10,719,038 | $129,198,928 | $ 395,891 | (4,066,297) | 136,920,255 |

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

\[
\begin{array}{lrr}
\text{Net income} & 2019 & 2018 \\
\text{Adjustments to reconcile net income to net cash provided by operating activities:} & & \\
\quad \text{(Negative) provision for loan losses} & (113,000) & 128,000 \\
\quad \text{Depreciation and amortization} & 834,358 & 816,786 \\
\quad \text{Accretion of discount on investment securities} & (498,538) & (581,894) \\
\quad \text{Amortization of premium on investment securities} & 462,444 & 364,406 \\
\quad \text{Deferred income taxes} & 112,686 & (214,558) \\
\quad \text{Net earnings on life insurance policies} & (700,828) & (712,411) \\
\quad \text{Decrease (increase) in prepaid expenses} & 24,903 & (54,993) \\
\quad \text{Increase in accrued interest receivable} & (345,440) & (873,969) \\
\quad \text{Increase in accrued expenses} & 167,385 & 655,898 \\
\quad \text{Decrease in income tax liability} & (58,390) & (240,657) \\
\quad \text{Gain on life insurance benefit} & (354,197) & (158,379) \\
\quad \text{Net gain on sale of assets} & (152,242) & - \\
\hline
\text{Net cash provided by operating activities} & 11,008,318 & 7,863,484 \\
\end{array}
\]

CASH FLOWS FROM INVESTING ACTIVITIES:

\[
\begin{array}{lrr}
\text{Proceeds from maturities of investment securities available-for-sale} & 14,000,000 & 11,500,000 \\
\text{Purchase of investment securities available-for-sale} & (15,775,047) & (13,511,930) \\
\text{Proceeds from maturities of investment securities held-to-maturity} & 111,700,000 & 124,500,000 \\
\text{Purchase of investment securities held-to-maturity} & (100,255,744) & (141,815,226) \\
\text{Principal paydowns of investments available-for-sale} & 334,049 & 529,502 \\
\text{Principal paydowns of investments held-to-maturity} & 493,421 & - \\
\text{Net (increase) decrease in loans to customers} & (46,034,843) & 1,679,439 \\
\text{Purchase of bank premises and equipment} & (1,341,201) & (313,649) \\
\text{Proceeds from sale of assets} & 206,385 & - \\
\text{Proceeds from life insurance policy} & 1,408,660 & 1,282,664 \\
\text{Net (increase) decrease in other assets} & (663,639) & 40,353 \\
\hline
\text{Net cash used in investing activities} & (35,927,959) & (16,108,847) \\
\end{array}
\]

CASH FLOWS FROM FINANCING ACTIVITIES:

\[
\begin{array}{lrr}
\text{Net increase in total deposits} & (12,166,558) & 48,197,261 \\
\text{Dividends paid in cash} & (3,079,791) & (2,605,828) \\
\text{Purchase of treasury stock} & (1,043,034) & - \\
\hline
\text{Net cash (used in) provided by financing activities} & (16,289,383) & 45,591,433 \\
\end{array}
\]

\[
\begin{array}{lrr}
\text{Net (decrease) increase in cash and cash equivalents} & (41,209,024) & 37,346,070 \\
\text{Cash and cash equivalents at beginning of year} & 113,233,539 & 75,887,469 \\
\hline
\text{Cash and cash equivalents at end of year} & $72,024,515 & $113,233,539 \\
\end{array}
\]

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

\[
\begin{array}{lrr}
\text{Interest paid} & $1,279,267 & $924,343 \\
\text{Federal income taxes paid} & $2,904,690 & $2,532,232 \\
\end{array}
\]

SUPPLEMENTAL SCHEDULE OF NON CASH ACTIVITY:

\[
\begin{array}{lrr}
\text{Sale of long-lived asset held for sale financed through loan} & $626,860 & - \\
\end{array}
\]

The accompanying notes are an integral part of these financial statements.
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies utilized in the preparation of the accompanying consolidated financial statements are summarized below:

Date of Management's Review of Subsequent events

Management has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued.

Nature of Operations

First Texas Bancorp, Inc. and Subsidiaries (the Company), through its wholly-owned subsidiary banks, First Texas Bank, Georgetown, Texas; First Texas Bank, Lampasas, Texas; and First Texas Bank, Killeen, Texas, (the Banks), provides a variety of banking services to individuals and businesses located primarily in Central Texas and the surrounding area. Its primary deposit products are interest-bearing and noninterest-bearing deposits, and its primary lending products are commercial business, real estate and consumer loans. First Texas Data, Inc., chartered in 1996 as a wholly-owned subsidiary of First Texas Bancorp, Inc., currently provides data processing services for the Company.

Financial Statement Presentation

The financial statements are prepared in conformity with generally accepted accounting principles. Significant revenues and expenses are recorded on the accrual-basis of accounting. The consolidated financial statements for 2019 and 2018 include the accounts of First Texas Bancorp, Inc., the accounts of its wholly-owned subsidiaries, First Texas Bank, Georgetown, Texas; First Texas Bank, Lampasas, Texas; First Texas Bank, Killeen, Texas; and First Texas Data, Inc., Georgetown, Texas. All significant intercompany balances and transactions are eliminated in preparation of consolidated financial statements. Data processing fees charged by First Texas Data to the Banks in the amount of $2,345,344 and $2,242,587 for the years ended December 31, 2019 and 2018, respectively, have been eliminated in the consolidated statements of income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of deferred tax assets.
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investment Securities

Investment securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premium and accretion of discounts using methods approximating the interest method. Other investment securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on securities available-for-sale are reported in other comprehensive income. Realized gains and losses on securities available-for-sale are included in other income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains or losses on sales of securities are determined by the specific identification method.

Loans and Concentration of Credit

Loans that management has the ability and intent to hold to maturity are stated at the amount of unpaid principal, less the allowance for loan losses and net deferred loan fees. Interest is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Each Bank conducts most of its banking operations, especially its lending activities, within the geographic area where it is located. As a result, each of the Banks and its borrowers may be vulnerable to the consequences of changes in the local economy. The concentrations of credit by type of loan are set forth in Note (3).

Commitment fees on loans with term lives in excess of one year are deferred and amortized over the lives of the related loans.

Loans are charged off or accrual of interest is discontinued, if, after considering economic and business conditions and collection efforts, it is found that the borrower's financial condition is such that collection of interest or principal in a timely manner is doubtful. Past due status is based on contractual terms of the loan.

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 status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The provision for loan losses charged to operating expense reflects the amount deemed appropriate by management to establish an adequate reserve to meet the present and foreseeable risk characteristics of the present loan portfolio. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's evaluation of individual loans, the overall risk characteristics of the various portfolio segments, past experiences with losses, the impact of economic conditions on borrowers, specific impaired loans, and other relevant factors. In the opinion of management, the reserve is deemed to be adequate to absorb foreseeable loan losses. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term.
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Allowance for Loan Losses (Continued)

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. Loans are considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. The allowance for impaired loans is generally determined based on collateral values or the present value of estimated cash flows. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses.

The general component covers non-impaired loans and is based on historical loss experience and qualitative factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the most recent five years. Qualitative factors are based on the risks present for each portfolio segment and include commercial real estate concentration, economic and other relevant factors.

Bank Premises and Equipment

Bank premises and equipment owned are stated at cost less accumulated depreciation, which is computed on the straight-line method over the estimated useful lives of the assets.

Cash Surrender Value of Life Insurance

Cash surrender value of bank owned life insurance includes investments in cash value insurance policies to assist with financing employee compensation and benefit programs. The cash value of the underlying policies accumulates on a tax-free basis and when received, proceeds from death benefits are also tax-free. The earnings on the policies are derived from the investment portfolio returns of the individual insurance carriers for general account policies.

Other Real Estate Owned

Real estate acquired through foreclosure or forgiveness of debt is initially recorded at its fair value less estimated cost to sell, which becomes the property's new basis. Any write-downs at the time of acquisition are charged to the allowance for loan losses. Subsequent valuations are periodically performed by management, and any necessary provisions for write-downs are charged against operating expenses. Fair value measurements are generally determined by third party appraisals. Costs of significant property improvements are capitalized, whereas operating income and expenses of such properties and gains and losses on their disposition are included in other income and other expenses.
Revenue Recognition

The Revenue from Contracts with Customers Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this revenue recognition guidance. The Banks' revenue is primarily comprised of net interest income, including revenue generated from financial instruments, such as loans and investment securities, which are excluded from the scope of this guidance. Earnings on cash surrender value of life insurance are also excluded from the scope of this guidance. Non-interest income activities that are within the scope of this guidance, which are included in other income in the statement of income are as follows:

ATM and debit card income: The Banks earns interchange fees from debit and credit cardholder transactions conducted through payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Service fees: These represent general service fees for monthly account maintenance and activity or transaction based fees. Revenue is recognized when the Banks' performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed, such as wire transfer fees, stop payment charges and returned check charges. Payments for such performance obligations are generally received at the time the performance obligations are satisfied.

Other: Other transaction based charges include late charges, sweep and transfer fees, commercial credit card processing fees and mortgage loan income. Gains and losses from the sale of assets are also included in other income.

Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, allowance for loan losses, accumulated depreciation for financial and income tax reporting and other timing differences.

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and interest-bearing accounts with an original maturity of 90 days or less.
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fair Values of Financial Instruments

As required by the Financial Instruments Topic of FASB ASC, the Company is required to disclose fair value information about financial instruments, whether or not recognized in the statement of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The Financial Instruments Topic of FASB ASC excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The fair values of the Company's financial instruments are disclosed in Note (14).

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments. The three levels of the fair value hierarchy used in fair value measurements are defined in Note (15).

Cash and cash equivalents: The carrying amounts reported in the statement of financial condition for cash, due from banks and interest-bearing accounts approximate those assets' fair values.

Investment Securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (level 2).

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss based on past experience and risk characteristics (level 3).

Cash Surrender Value of Life Insurance: The carrying amount of the cash surrender value of life insurance approximates its fair value.

Deposits: The fair values disclosed for demand deposits, savings, NOW, and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits (level 3).

Accrued Interest: The carrying amount of accrued interest approximates its fair value.

Advertising

Advertising costs are expensed at the time they are incurred.
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting effective for reporting periods beginning after December 15, 2020. This guidance is intended to improve financial reporting about leasing transactions and affects all organizations that lease assets. Management is evaluating the effect the new pronouncement will have on its financial statements.

In June 2016, the FASB issued a new accounting pronouncement regarding measurement of credit losses on financial instruments effective for reporting periods beginning after December 15, 2022. The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information. Management is evaluating the effect the new pronouncement will have on its financial statements.

In August 2018, the FASB issued a new accounting pronouncement regarding changes to the disclosure requirements for fair value measurements effective for reporting periods beginning after December 15, 2019. The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. Management is evaluating the effect the new pronouncement will have on its financial statements.

In May 2014, the FASB issued a new accounting pronouncement regarding revenue from contracts with customers which became effective for reporting periods beginning after December 15, 2018. The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new guidance. The adoption of this guidance did not impact the Company's financial condition or its results of operations but did require new and enhanced disclosures.

In January 2016, the FASB issued a new accounting pronouncement regarding the recognition and measurement of financial assets and liabilities which became effective for reporting periods beginning after December 15, 2018. The guidance affects, among other things, the presentation and disclosure requirements for financial instruments. The adoption of this guidance did not impact the Company's financial condition or its results of operations but did eliminate the requirement to disclose fair value of financial instruments. The prior year's disclosure, as required, is included in Note (14).

In February 2018, the FASB issued a new accounting pronouncement regarding reclassification of certain tax effects from accumulated other comprehensive income which became effective for reporting periods beginning after December 15, 2018. This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation. The adoption of this guidance did not impact the Company's financial condition or its results of operations.
(2) INVESTMENT SECURITIES:

Securities available-for-sale consist of the following:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Amortized Cost</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. government agencies</td>
<td>$ 60,769,387</td>
<td>$ 590,942</td>
<td>$ 88,668</td>
<td>$ 61,271,661</td>
</tr>
<tr>
<td>Mortgage-backed security</td>
<td>604,752</td>
<td>4,063</td>
<td>5,252</td>
<td>603,563</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 61,374,139</strong></td>
<td><strong>$ 595,005</strong></td>
<td><strong>$ 93,920</strong></td>
<td><strong>$ 61,875,224</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Amortized Cost</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. government agencies</td>
<td>$ 59,007,556</td>
<td>$ 68,051</td>
<td>$ 825,760</td>
<td>$ 58,249,847</td>
</tr>
<tr>
<td>Mortgage-backed security</td>
<td>949,852</td>
<td>-</td>
<td>35,579</td>
<td>914,273</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 59,957,408</strong></td>
<td><strong>$ 68,051</strong></td>
<td><strong>$ 861,339</strong></td>
<td><strong>$ 59,164,120</strong></td>
</tr>
</tbody>
</table>

Securities held-to-maturity consist of the following:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Amortized Cost</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. government agencies</td>
<td>$ 495,182,733</td>
<td>$ 6,440,514</td>
<td>$ 559,363</td>
<td>$ 501,063,884</td>
</tr>
<tr>
<td>Mortgage-backed security</td>
<td>958,406</td>
<td>29,093</td>
<td>-</td>
<td>987,499</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 496,141,139</strong></td>
<td><strong>$ 6,469,607</strong></td>
<td><strong>$ 559,363</strong></td>
<td><strong>$ 502,051,383</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Amortized Cost</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. government agencies</td>
<td>$ 506,557,595</td>
<td>$ 352,428</td>
<td>$ 6,570,178</td>
<td>$ 500,339,845</td>
</tr>
<tr>
<td>Mortgage-backed security</td>
<td>1,460,605</td>
<td>6,840</td>
<td>-</td>
<td>1,467,445</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 508,018,200</strong></td>
<td><strong>$ 359,268</strong></td>
<td><strong>$ 6,570,178</strong></td>
<td><strong>$ 501,807,290</strong></td>
</tr>
</tbody>
</table>

Investment securities carried at $17,716,349 and $38,360,886 as of December 31, 2019 and 2018, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.
(2) INVESTMENT SECURITIES (Continued):

The maturities of investment securities at December 31, 2019 were as follows:

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Amortized Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment securities available-for-sale - U.S. government agencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due in one year or less</td>
<td>$16,499,854</td>
<td>$16,511,006</td>
</tr>
<tr>
<td>Due after one year through five years</td>
<td>41,276,276</td>
<td>41,773,889</td>
</tr>
<tr>
<td>Due after five through ten years</td>
<td>2,993,257</td>
<td>2,986,766</td>
</tr>
<tr>
<td></td>
<td>60,769,387</td>
<td>61,271,561</td>
</tr>
<tr>
<td><strong>Investment securities available-for-sale - Mortgage-backed securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due after five years</td>
<td>604,752</td>
<td>603,563</td>
</tr>
<tr>
<td></td>
<td>$61,374,139</td>
<td>$61,875,224</td>
</tr>
<tr>
<td><strong>Investment securities held-to-maturity - U.S. government agencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due in one year or less</td>
<td>$121,104,007</td>
<td>$121,239,917</td>
</tr>
<tr>
<td>Due after one year through five years</td>
<td>370,912,078</td>
<td>376,663,845</td>
</tr>
<tr>
<td>Due after five through ten years</td>
<td>3,166,648</td>
<td>3,160,122</td>
</tr>
<tr>
<td></td>
<td>495,182,733</td>
<td>501,063,884</td>
</tr>
<tr>
<td><strong>Investment securities held-to-maturity - Mortgage-backed securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due after five years</td>
<td>958,406</td>
<td>987,499</td>
</tr>
<tr>
<td></td>
<td>$496,141,139</td>
<td>$502,051,383</td>
</tr>
</tbody>
</table>

Information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position are as follows:

<table>
<thead>
<tr>
<th>Continuous unrealized losses existing for less than 12 months</th>
<th>Continuous unrealized losses existing for 12 months and greater</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value</td>
<td>Unrealized Loss</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td><strong>December 31, 2019</strong></td>
<td></td>
</tr>
<tr>
<td>Investment securities available-for-sale:</td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies</td>
<td>$17,690,083</td>
</tr>
<tr>
<td>Mortgage-backed security</td>
<td>-</td>
</tr>
<tr>
<td>Investment securities held-to-maturity:</td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies</td>
<td>57,708,287</td>
</tr>
<tr>
<td></td>
<td>$75,398,370</td>
</tr>
</tbody>
</table>
INVESTMENT SECURITIES (Continued):

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Continuous unrealized losses existing for less than 12 months</th>
<th>Continuous unrealized losses existing for 12 months and greater</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Unrealized Loss</td>
</tr>
<tr>
<td>Investment securities available-for-sale:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies</td>
<td>$1,993,919</td>
<td>$4,273</td>
</tr>
<tr>
<td>Mortgage-backed security</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment securities held-to-maturity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government agencies</td>
<td>57,382,266</td>
<td>97,654</td>
</tr>
<tr>
<td></td>
<td>$59,376,185</td>
<td>$101,927</td>
</tr>
</tbody>
</table>

The securities in an unrealized loss position at December 31, 2019 and 2018 were temporarily impaired due to the current interest rate environment and not increased credit risk. In estimating other than impaired losses, the Bank considers (i) the length of time and the extent to which the fair value has been less than cost (ii) the financial condition and near term prospects of the issuer, (iii) that the Bank does not intend to sell these securities and (iv) it is more likely than not that the Bank will not be required to sell before a period of time to allow for any anticipated recovery in fair value. As of December 31, 2019 and 2018, the securities in an unrealized loss position consisted of 67 and 179 securities, respectively.

(3) LOANS:

Major classifications of loans are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate</td>
<td>$394,267,843</td>
<td>$350,116,023</td>
</tr>
<tr>
<td>Commercial</td>
<td>26,622,309</td>
<td>24,102,412</td>
</tr>
<tr>
<td>Consumer</td>
<td>10,193,093</td>
<td>9,841,440</td>
</tr>
<tr>
<td></td>
<td>$431,083,245</td>
<td>$384,059,875</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>(1,669,759)</td>
<td>(1,530,862)</td>
</tr>
<tr>
<td>Unearned loan fees</td>
<td>(539,008)</td>
<td>(407,737)</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>64,294</td>
<td>42,793</td>
</tr>
<tr>
<td>Loans, net</td>
<td>$428,938,772</td>
<td>$382,164,069</td>
</tr>
</tbody>
</table>

The Bank is not committed to lend additional funds to debtors whose loans have been modified.
(3) LOANS (Continued):

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families, and affiliated companies in which they are principal stockholders (commonly referred to as related parties) on similar terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. These persons and firms were indebted to the Company for loans totaling $1,340,135 and $1,690,783 at December 31, 2019 and 2018, respectively.

An analysis of the allowance for loan losses for the year ended December 31, 2019 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for loan losses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$1,132,822</td>
<td>$376,462</td>
<td>$21,578</td>
<td>$1,530,862</td>
</tr>
<tr>
<td>Losses charged to allowance</td>
<td>-</td>
<td>(1,449)</td>
<td>(54,945)</td>
<td>(56,394)</td>
</tr>
<tr>
<td>Recoveries credited to allowance</td>
<td>-</td>
<td>296,523</td>
<td>11,768</td>
<td>308,291</td>
</tr>
<tr>
<td>Provision charged (credited) to operating expense</td>
<td>196,603</td>
<td>(357,303)</td>
<td>47,700</td>
<td>(113,000)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$1,329,425</td>
<td>$314,233</td>
<td>$26,101</td>
<td>$1,669,759</td>
</tr>
<tr>
<td>Individually evaluated for impairment</td>
<td>-</td>
<td>$178,331</td>
<td>$5,745</td>
<td>$184,076</td>
</tr>
<tr>
<td>Collectively evaluated for impairment</td>
<td>$1,329,425</td>
<td>$135,902</td>
<td>$20,356</td>
<td>$1,485,683</td>
</tr>
</tbody>
</table>

Loans:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, end of year</td>
<td>$394,267,843</td>
<td>$26,622,309</td>
<td>$10,193,093</td>
<td>$431,083,245</td>
</tr>
<tr>
<td>Individually evaluated for impairment</td>
<td>-</td>
<td>$228,610</td>
<td>$5,745</td>
<td>$234,355</td>
</tr>
<tr>
<td>Collectively evaluated for impairment</td>
<td>$394,267,843</td>
<td>$26,393,699</td>
<td>$10,187,348</td>
<td>$430,848,890</td>
</tr>
</tbody>
</table>
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(3) LOANS (Continued):

An analysis of the allowance for loan losses for the year ended December 31, 2018 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for loan losses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$1,050,272</td>
<td>$410,166</td>
<td>$33,468</td>
<td>$1,493,906</td>
</tr>
<tr>
<td>Losses charged to allowance</td>
<td>-</td>
<td>(119,166)</td>
<td>(9,123)</td>
<td>(128,289)</td>
</tr>
<tr>
<td>Recoveries credited to allowance</td>
<td>3,458</td>
<td>28,764</td>
<td>5,023</td>
<td>37,245</td>
</tr>
<tr>
<td>Provision credited to operating expense</td>
<td>79,093</td>
<td>56,699</td>
<td>(7,792)</td>
<td>128,000</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$1,132,823</td>
<td>$376,463</td>
<td>$21,576</td>
<td>$1,530,862</td>
</tr>
<tr>
<td>Individually evaluated for impairment</td>
<td>$</td>
<td>$220,090</td>
<td>$2,398</td>
<td>$222,488</td>
</tr>
<tr>
<td>Collectively evaluated for impairment</td>
<td>$1,132,823</td>
<td>$156,373</td>
<td>$19,178</td>
<td>$1,308,374</td>
</tr>
<tr>
<td>Loans:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$350,116,023</td>
<td>$24,102,412</td>
<td>$9,841,440</td>
<td>$384,059,875</td>
</tr>
<tr>
<td>Individually evaluated for impairment</td>
<td>$</td>
<td>$227,487</td>
<td>$25,945</td>
<td>$253,432</td>
</tr>
<tr>
<td>Collectively evaluated for impairment</td>
<td>$350,116,023</td>
<td>$23,874,925</td>
<td>$9,815,495</td>
<td>$383,806,443</td>
</tr>
</tbody>
</table>
FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(3) LOANS (Continued):

Impaired loans for the year ended December 31, 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans without a specific valuation allowance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recorded balance</td>
<td>$7,089,673</td>
<td>$656,222</td>
<td>$16,339</td>
<td>$7,762,234</td>
</tr>
<tr>
<td>Unpaid principal balance</td>
<td>$7,089,673</td>
<td>$656,222</td>
<td>$16,339</td>
<td>$7,762,234</td>
</tr>
<tr>
<td>Specific allowance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Average investment in impaired loans</td>
<td>$8,918,628</td>
<td>$554,120</td>
<td>$25,197</td>
<td>$9,497,945</td>
</tr>
<tr>
<td>Interest income recognized</td>
<td>$472,867</td>
<td>$30,781</td>
<td>$1,457</td>
<td>$505,105</td>
</tr>
</tbody>
</table>

| Loans with a specific valuation allowance: |             |            |          |          |
| Recorded balance       | -           | $228,610   | $5,745   | $234,355 |
| Unpaid principal balance | -          | $228,610   | $5,745   | $234,355 |
| Specific allowance     | -           | $178,331   | $5,745   | $184,076 |
| Average investment in impaired loans | -          | $227,179   | $1,436   | $228,615 |
| Interest income recognized | -         | $5,857     | $55      | $5,912   |

Impaired loans for the year ended December 31, 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans without a specific valuation allowance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recorded balance</td>
<td>$11,983,458</td>
<td>$119,467</td>
<td>$11,961</td>
<td>$12,114,886</td>
</tr>
<tr>
<td>Unpaid principal balance</td>
<td>$11,983,458</td>
<td>$119,467</td>
<td>$11,961</td>
<td>$12,114,886</td>
</tr>
<tr>
<td>Specific allowance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Average investment in impaired loans</td>
<td>$11,818,289</td>
<td>$185,043</td>
<td>$20,780</td>
<td>$12,024,112</td>
</tr>
<tr>
<td>Interest income recognized</td>
<td>$607,192</td>
<td>$7,302</td>
<td>$1,453</td>
<td>$615,947</td>
</tr>
</tbody>
</table>

| Loans with a specific valuation allowance: |             |            |          |          |
| Recorded balance       | -           | $227,487   | $25,945  | $253,432 |
| Unpaid principal balance | -          | $227,487   | $25,945  | $253,432 |
| Specific allowance     | -           | $220,090   | $2,398   | $222,488 |
| Average investment in impaired loans | -          | $247,117   | $29,863  | $276,980 |
| Interest income recognized | -         | $1,603     | $1,769   | $3,372   |
(3) LOANS (Continued):

A loan portfolio aging analysis as of December 31, 2019 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-59 days past due</td>
<td>$3,779,974</td>
<td>$20,677</td>
<td>$80,910</td>
<td>$3,881,561</td>
</tr>
<tr>
<td>60-89 days past due</td>
<td>47,880</td>
<td>-</td>
<td>1,139</td>
<td>49,019</td>
</tr>
<tr>
<td>Greater than 90 days</td>
<td>57,862</td>
<td>-</td>
<td>-</td>
<td>57,862</td>
</tr>
<tr>
<td>Total past due</td>
<td>3,885,716</td>
<td>20,677</td>
<td>82,049</td>
<td>3,988,442</td>
</tr>
<tr>
<td>Current</td>
<td>390,382,127</td>
<td>26,601,632</td>
<td>10,111,044</td>
<td>427,094,803</td>
</tr>
<tr>
<td>Total loans receivable</td>
<td>$394,267,843</td>
<td>$26,622,309</td>
<td>$10,193,093</td>
<td>$431,083,245</td>
</tr>
<tr>
<td>Total loans greater than 90 days and accruing interest</td>
<td>$57,862</td>
<td>$ -</td>
<td>$ -</td>
<td>$57,862</td>
</tr>
<tr>
<td>Total loans on nonaccrual status</td>
<td>$56,989</td>
<td>$146,520</td>
<td>$ -</td>
<td>$203,509</td>
</tr>
</tbody>
</table>

A loan portfolio aging analysis as of December 31, 2018 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-59 days past due</td>
<td>$1,126,123</td>
<td>$43,394</td>
<td>$10,071</td>
<td>$1,179,588</td>
</tr>
<tr>
<td>60-89 days past due</td>
<td>9,724</td>
<td>-</td>
<td>-</td>
<td>9,724</td>
</tr>
<tr>
<td>Greater than 90 days</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total past due</td>
<td>1,135,847</td>
<td>43,394</td>
<td>10,071</td>
<td>1,189,312</td>
</tr>
<tr>
<td>Current</td>
<td>348,980,176</td>
<td>24,059,018</td>
<td>9,831,369</td>
<td>382,870,563</td>
</tr>
<tr>
<td>Total loans receivable</td>
<td>$350,116,023</td>
<td>$24,102,412</td>
<td>$9,841,440</td>
<td>$384,059,875</td>
</tr>
<tr>
<td>Total loans greater than 90 days and accruing interest</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Total loans on nonaccrual status</td>
<td>$74,217</td>
<td>$213,643</td>
<td>$ -</td>
<td>$287,860</td>
</tr>
</tbody>
</table>
(3) LOANS (Continued):

The Banks categorize loans 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 deterioration, public information, and current economic trends, among other factors. The Banks analyze loans individually by classifying the loans as to credit risk. The Banks use the following definitions for risk ratings:

**Pass:** Loans in this category have strong asset quality and liquidity along with a multi-year track record of profitability.

**Special Mention:** Loans in this category are currently protected but are potentially weak. The credit risk may be relatively minor, yet constitute an increased risk in the light of the circumstances surrounding a specific loan.

**Substandard:** Loans in this category show signs of continuing negative financial trends and unprofitability at various times, and therefore, are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any.

**Doubtful:** Loans in this category are illiquid and highly leveraged, have a negative net worth, cash flow, and continuing trend of serious losses. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as loss is deferred until its more exact status may be determined.

**Non-accrual:** Loans in this category have discontinued the accrual of interest if, after considering economic and business conditions and collection efforts, it is found that the borrower's financial condition is such that collection of interest or principal in a timely manner is doubtful.

**Loss:** Loans in this category are considered uncollectable and of such little value that their continuance as bankable loans is not warranted. This classification does not mean that the loan has no recovery value, but that it is not practical to defer writing it off, even though partial recovery may be affected in the future.

The information for each of the credit quality indicators is updated on a quarterly basis in conjunction with the determination of the adequacy of the allowance for loan losses.

The Banks' credit quality indicators by internally assigned grade are as follows:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pass</td>
<td>$387,178,170</td>
<td>$25,737,477</td>
<td>$10,171,009</td>
<td>$423,086,656</td>
</tr>
<tr>
<td>Special mention</td>
<td>241,375</td>
<td>64,352</td>
<td>-</td>
<td>305,727</td>
</tr>
<tr>
<td>Substandard</td>
<td>6,791,309</td>
<td>673,960</td>
<td>20,559</td>
<td>7,485,828</td>
</tr>
<tr>
<td>Non-accrual</td>
<td>56,989</td>
<td>146,520</td>
<td>-</td>
<td>203,509</td>
</tr>
<tr>
<td>Loss</td>
<td>-</td>
<td>-</td>
<td>1,525</td>
<td>1,525</td>
</tr>
<tr>
<td><strong>Total loans receivable</strong></td>
<td>$394,267,843</td>
<td>$26,622,309</td>
<td>$10,193,093</td>
<td>$431,083,245</td>
</tr>
</tbody>
</table>
(3) LOANS (Continued):

The Banks' credit quality indicators by internally assigned grade are as follows: (Continued)

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Real Estate</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pass</td>
<td>$338,133,406</td>
<td>$23,755,458</td>
<td>$9,802,512</td>
<td>$371,691,376</td>
</tr>
<tr>
<td>Special mention</td>
<td>4,393,039</td>
<td>-</td>
<td>292</td>
<td>4,393,331</td>
</tr>
<tr>
<td>Substandard</td>
<td>7,515,361</td>
<td>133,311</td>
<td>38,636</td>
<td>7,687,308</td>
</tr>
<tr>
<td>Non-accrual</td>
<td>74,217</td>
<td>213,643</td>
<td>-</td>
<td>287,860</td>
</tr>
</tbody>
</table>

Total loans receivable | $350,116,023 | $24,102,412 | $9,841,440 | $384,059,875 |

As of December 31, 2019, the Banks' had one loan which was modified in 2019 as troubled debt restructuring. The loan is a commercial real estate loan and is on the watch list as a substandard loan. The loan had a balance of $1,415,706 before the modification and there was no change in the balance post modification. The loan was modified as of October 2019, by extending the interest only payments, that were to end in October 2019, by six months. The loan is fully collateralized and still accruing interest with no specific allowance. There are no commitments to lend additional funds to the borrower. As of December 31, 2018, there were no troubled debt restructured loans.

(4) LONG-LIVED ASSET HELD FOR SALE:

Long-lived asset held for sale represents an office building and land which was previously held in bank premises and equipment. No depreciation was taken on the building in 2019 and 2018. In September 2019, the Bank sold the building and financed the sale.

(5) BANK PREMISES AND EQUIPMENT, NET:

The major classes of bank premises and equipment and the total accumulated depreciation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$3,976,149</td>
<td>$4,001,149</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>16,601,804</td>
<td>16,163,451</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>8,461,402</td>
<td>8,059,256</td>
</tr>
<tr>
<td></td>
<td>29,039,355</td>
<td>28,223,856</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>16,369,849</td>
<td>16,013,536</td>
</tr>
<tr>
<td>Bank premises and equipment, net</td>
<td>$12,669,506</td>
<td>$12,210,320</td>
</tr>
</tbody>
</table>
First Texas Bancorp, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

(6) Deposits:

Included in interest-bearing deposits are certificates of deposit and individual retirement accounts that meet or exceed the Federal Deposit Insurance Corporation's insurance limit of $250,000. These accounts and their remaining maturities at December 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Three months or less</td>
<td>$ 4,593,623</td>
<td>$ 3,542,357</td>
</tr>
<tr>
<td>Four through twelve months</td>
<td>9,382,230</td>
<td>8,741,110</td>
</tr>
<tr>
<td></td>
<td><strong>$ 13,975,853</strong></td>
<td><strong>$ 12,283,467</strong></td>
</tr>
</tbody>
</table>

Included in interest-bearing deposits as of December 31, 2019, are certificates of deposit and individual retirement accounts maturing in years ending December 31, 2020, 2021, 2022, 2023, and thereafter:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 70,125,137</td>
</tr>
<tr>
<td>2021</td>
<td>1,410,510</td>
</tr>
<tr>
<td>2022</td>
<td>28,298</td>
</tr>
<tr>
<td>2023</td>
<td>9,257</td>
</tr>
<tr>
<td>2023 and thereafter</td>
<td>33,853</td>
</tr>
<tr>
<td></td>
<td><strong>$ 71,607,055</strong></td>
</tr>
</tbody>
</table>

Included in total deposits are public fund deposits of $11,527,032 and $34,084,592 at December 31, 2019 and 2018, respectively.

Also, included in total deposits, are related party deposits of $4,851,804 and $8,982,102 at December 31, 2019 and 2018, respectively.

(7) Federal Income Taxes:

First Texas Bancorp, Inc. and Subsidiaries file a consolidated Federal income tax return. The consolidated Federal income tax provision for financial statement purposes is calculated by the corporate regular tax method.

The total income tax expense in the statement of income consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Current – Federal</td>
<td>$ 2,791,915</td>
<td>$ 2,264,072</td>
</tr>
<tr>
<td>Deferred – Federal</td>
<td>112,686</td>
<td>(214,558)</td>
</tr>
<tr>
<td></td>
<td><strong>$ 2,904,601</strong></td>
<td><strong>$ 2,049,514</strong></td>
</tr>
</tbody>
</table>
(7) FEDERAL INCOME TAXES (Continued):

The provision for Federal income tax differs from that computed by applying the Federal statutory rate of 21% in 2019 and 2018, as indicated in the following analysis:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>Year Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax based on statutory rate</td>
<td>$ 3,052,093</td>
<td>$ 2,264,802</td>
</tr>
<tr>
<td>Effect of net earnings on insurance policies</td>
<td>(153,035)</td>
<td>(191,154)</td>
</tr>
<tr>
<td>Effect of non-deductible expenses and other miscellaneous</td>
<td>5,543</td>
<td>(24,134)</td>
</tr>
<tr>
<td></td>
<td>$ 2,904,601</td>
<td>$ 2,049,514</td>
</tr>
</tbody>
</table>

Deferred tax assets and liabilities included in the statements of financial condition, based on the Federal statutory rate of 21% for 2019 and 2018 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>$ 350,649</td>
<td>$ 321,481</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>2,855,651</td>
<td>2,849,883</td>
</tr>
<tr>
<td>Unearned loan fees</td>
<td>110,248</td>
<td>85,625</td>
</tr>
<tr>
<td>Net unrealized loss on available-for-sale securities</td>
<td>-</td>
<td>166,635</td>
</tr>
<tr>
<td>Other</td>
<td>11,690</td>
<td>7,938</td>
</tr>
<tr>
<td></td>
<td>3,328,238</td>
<td>3,431,562</td>
</tr>
<tr>
<td>Less: valuation allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(245,572)</td>
<td>(69,574)</td>
</tr>
<tr>
<td>Net unrealized gain on available-for-sale securities</td>
<td>(105,237)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(350,809)</td>
<td>(69,574)</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>$ 2,977,429</td>
<td>$ 3,361,988</td>
</tr>
</tbody>
</table>
(7) FEDERAL INCOME TAXES (Continued):

The Income Taxes Topic of FASB ASC clarifies accounting for uncertainty in income taxes recognized in a company’s financial statements. The topic details how companies should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. This will not have a material impact on the financial statements of the Company. The Company’s tax returns for the last four years remain subject to examination.

(8) LINE OF CREDIT:

The Banks have unused lines of credit with financial institutions in an aggregate amount of $23,000,000. The unsecured loans of federal funds are available on an overnight basis to the Bank and are to be paid on the day following the loan. These include lines of credit for $18,000,000 that expire on February 20, 2020 and a line of credit for $5,000,000 that can be terminated at any time.

(9) FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

In the normal course of business, the Banks have outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Banks’ exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Banks use the same credit policies in making such commitments as it does for instruments that are included in the statements of financial condition. The Banks do not anticipate losses as a result of these transactions.

Financial instruments whose contract amount represents credit risk are as follows:

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments to extend credit</td>
<td>$113,682,267</td>
<td>$75,020,577</td>
</tr>
<tr>
<td>Standby letters of credit</td>
<td>2,931,136</td>
<td>2,629,581</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$116,613,403</strong></td>
<td><strong>$77,650,158</strong></td>
</tr>
</tbody>
</table>

(10) COMMITMENTS AND CONTINGENCIES:

The Company is subject to claims and lawsuits, which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Company.

(11) CONCENTRATION OF CREDIT RISK:

The Banks’ financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents at correspondent banks. The Banks place their cash and cash equivalents with high credit quality institutions. At times, such correspondent bank accounts may be in excess of the FDIC insurance limit. The Banks routinely assess the financial strength of their correspondent banks and, as a consequence, believe that their credit risk exposure is limited.
(12) DEFERRED COMPENSATION ARRANGEMENTS:

The Company has established two non-qualified benefit plans for certain key officers of the Company. These plans are designed to provide substantial retirement and death benefits to these key officers. The Company is accruing a charge which, at the specified retirement age of the key officer, will equal the then present value of the estimated benefits to be paid under the arrangement using a discount rate. The amounts accrued under such arrangements are not deductible by the Company for tax purposes until payments are made to the participants. The amounts accrued are included in employee benefits in the statements of income and totaled $1,745,950 and $1,754,607 in 2019 and 2018, respectively. The amounts paid to participants totaled $1,721,422 and $1,091,782 in 2019 and 2018, respectively. The balance of the accrual for these deferred compensation arrangements is $13,877,846 and $13,875,228 as of December 31, 2019 and 2018, respectively; and is included in accrued expenses on the statements of financial condition.

(13) EMPLOYEE BENEFITS:

The Company has a 401(k) savings plan for all employees who have completed ninety days of service and are twenty-one years of age or more. The Company generally matches employee contributions up to a maximum of four percent of gross wages. The Company's contribution to the plan is included in employee benefits in the statements of income and amounted to $373,590 and $167,713 in 2019 and 2018, respectively.

(14) FAIR VALUES OF FINANCIAL INSTRUMENTS:

As allowed by the recently adopted accounting pronouncement (Note 1), disclosure of the current year's estimated fair value of the Bank's financial instruments is not required. The estimated fair values of the Bank's financial instruments as of December 31, 2018 is as follows:

<table>
<thead>
<tr>
<th>Financial Assets:</th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$113,233,539</td>
<td>$113,233,539</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>59,164,120</td>
<td>59,164,120</td>
</tr>
<tr>
<td>Investment securities held-to-maturity</td>
<td>501,807,290</td>
<td>501,807,290</td>
</tr>
<tr>
<td>Loans, net</td>
<td>371,242,359</td>
<td>371,242,359</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>3,972,909</td>
<td>3,972,909</td>
</tr>
<tr>
<td>Cash surrender value of life insurance</td>
<td>27,848,082</td>
<td>27,848,082</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Liabilities:</th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noninterest-bearing deposits</td>
<td>421,751,811</td>
<td>421,751,811</td>
</tr>
<tr>
<td>Interest-bearing deposits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings and NOW accounts</td>
<td>475,655,648</td>
<td>475,655,648</td>
</tr>
<tr>
<td>Certificates of deposit and other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>time deposits</td>
<td>70,472,966</td>
<td>70,472,966</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>43,725</td>
<td>43,725</td>
</tr>
</tbody>
</table>

26
(15) FAIR VALUE MEASUREMENTS:

As required by the Fair Value Measurements and Disclosures Topic of FASB ASC, the Company is required to establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurements and Disclosures Topic of FASB ASC are described as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities that are observable for the assets or liability.

Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company used the following methods and significant assumptions to estimate fair value for their assets measured and carried at fair value in the financial statements.

Investment securities available-for-sale: Securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. Fair values for investment securities are based on quoted market prices or the market values for comparable securities.

Impaired loans: Impaired loans are carried at the estimated recoverable amount, which is a level 3 measurement. Impaired loans are evaluated and valued at the time the loan is identified as impaired, usually based on collateral values or if appropriate the present value of estimated cash flows. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Other real estate owned: Other real estate is carried at the lower of the Company's cost or ninety percent of the asset's fair value, which is a level 3 measurement.

The following table sets forth, by level within the fair value hierarchy, the Company’s assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019</td>
<td></td>
<td>$ 61,875,224</td>
<td></td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>$</td>
<td>$ 61,875,224</td>
<td>$</td>
</tr>
<tr>
<td>December 31, 2018</td>
<td></td>
<td>$ 59,164,120</td>
<td></td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>$</td>
<td>$ 59,164,120</td>
<td>$</td>
</tr>
</tbody>
</table>
(15) FAIR VALUE MEASUREMENTS (Continued):

The following table sets forth, by level within the fair value hierarchy, the Company's assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2019 and 2018:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impaired loans</td>
<td>$</td>
<td>-</td>
<td>$7,812,513</td>
</tr>
<tr>
<td>December 31, 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impaired loans</td>
<td>$</td>
<td>-</td>
<td>$12,145,830</td>
</tr>
</tbody>
</table>

(16) RECLASSIFICATIONS:

Certain amounts in prior year's financial statements have been reclassified to conform to the current year's presentation.

(17) REGULATORY MATTERS:

As of December 31, 2017, First Texas Bank Killeen exceeded the Texas Department of Banking requirement that the aggregate cash surrender value of the Bank owned life insurance (BOLI) not exceed 25% of Tier 1 capital. On June 4, 2015 the Texas Department of Banking approved that First Texas Bank Killeen to hold up to 30% of Tier 1 capital as part of First Texas Bank Killeen's management action plan to reduce the percentage of BOLI in relation to Tier 1 capital within five years. The action plan provided that First Texas Bank Killeen would cease payment of dividends and would not purchase additional BOLI policies until the percentage of BOLI was below the 25% threshold. During the year ended December 31, 2018, First Texas Bank Killeen's aggregate cash surrender value of BOLI no longer exceeded 25% of Tier 1 capital; therefore, the First Texas Bank Killeen resumed payment of dividends.

The Banks are subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possible additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Banks' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Banks must meet specific capital guidelines that involve quantitative measures of the Banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Basel III Capital Rules adopted by the federal regulatory authorities in 2013 substantially revised the risk-based capital requirements applicable to the Bank. The Basel III Capital Rules became effective for the Bank on January 1, 2019, subject to a phase-in period for certain provisions. The Basel III Capital rules require a capital conservation buffer with respect to each of the Common Equity Tier 1, Tier 1 risk-based and total risk-based capital ratios, which provides for capital levels that exceed the minimum risk-based capital adequacy requirements. The capital conservation buffer of 2.5% was fully phased in on January 1, 2019. A financial institution with a conservation buffer of less than the required amount will be subject to limitations on capital distributions, including dividends payments and stock repurchases, and certain discretionary bonus payments to executive officers.
(17) REGULATORY MATTERS (Continued):

Quantitative measures established by regulation to ensure capital adequacy require the Banks to maintain minimum amounts and ratios of common equity, total and Tier 1 capital (as defined by the regulations) to risk weighted assets (as defined) and Tier 1 capital to average assets (as defined). At December 31, 2019, the most recent notification from the Federal Deposit Insurance Corporation categorized the Banks as well capitalized under the regulatory framework for prompt corrective action. There are no conditions and events since that notification that management believes have changed the institution's category.

The consolidated and individual Banks' actual and required minimum capital amounts and ratios are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Actual Capital Amount (Dollars in Thousands)</th>
<th>Minimum Required to be Considered Adequately Capitalized Capital Amount (Dollars in Thousands)</th>
<th>Minimum Required to be Considered Well Capitalized Capital Amount (Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common Equity Tier 1 Capital (to Risk-Weighted Assets)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td>$136,525</td>
<td>$26,255</td>
<td>$37,924</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$58,203</td>
<td>$23,550</td>
<td>$21,868</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$33,382</td>
<td>$10,875</td>
<td>$10,098</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$16,240</td>
<td>$5,590</td>
<td>$5,190</td>
</tr>
<tr>
<td><strong>Tier 1 Capital (to Risk-Weighted Assets)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td>$136,525</td>
<td>$35,006</td>
<td>$46,675</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$58,203</td>
<td>$28,597</td>
<td>$26,915</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$33,382</td>
<td>$13,205</td>
<td>$12,428</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$16,240</td>
<td>$6,787</td>
<td>$6,388</td>
</tr>
<tr>
<td><strong>Total Capital (to Risk-Weighted Assets)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td>$138,195</td>
<td>$46,648</td>
<td>$58,310</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$59,301</td>
<td>$35,179</td>
<td>$33,503</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$33,634</td>
<td>$16,312</td>
<td>$15,536</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$16,560</td>
<td>$8,384</td>
<td>$7,985</td>
</tr>
<tr>
<td><strong>Tier 1 Leverage (to Average Assets)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td>$136,525</td>
<td>$44,762</td>
<td>$55,953</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$58,203</td>
<td>$26,456</td>
<td>$33,070</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$33,382</td>
<td>$12,063</td>
<td>$15,079</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$16,240</td>
<td>$5,622</td>
<td>$7,027</td>
</tr>
</tbody>
</table>
(17) REGULATORY MATTERS (Continued):

The consolidated and individual Banks' actual and required minimum capital amounts and ratios are as follows:

(Continued)

<table>
<thead>
<tr>
<th>Common Equity Tier 1 Capital</th>
<th>Actual</th>
<th>Minimum Capital</th>
<th>Minimum Capital</th>
<th>Required to be Considered Well</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Amount (Dollars in Thousands)</td>
<td>Capital Amount (Dollars in Thousands)</td>
<td>Capital Amount (Dollars in Thousands)</td>
<td>Capital Amount (Dollars in Thousands)</td>
</tr>
<tr>
<td>As of December 31, 2018</td>
<td></td>
<td>Minimum Capital</td>
<td>Minimum Capital</td>
<td>Required to be Considered Well</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Required - Basel III Phase-In Schedule</td>
<td>Required - Basel III Fully Phase-In</td>
<td>Capitalized</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ratio</td>
<td>Ratio</td>
<td>Ratio</td>
</tr>
<tr>
<td>Consolidated</td>
<td>$ 129,174</td>
<td>24.6%</td>
<td>$ 33,461</td>
<td>6.4%</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$ 54,987</td>
<td>17.7%</td>
<td>$ 19,771</td>
<td>4.6%</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$ 32,993</td>
<td>24.5%</td>
<td>$ 8,602</td>
<td>6.4%</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$ 15,639</td>
<td>23.0%</td>
<td>$ 4,328</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 1 Capital</th>
<th>(to Risk-Weighted Assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td>$ 129,174</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$ 54,987</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$ 32,992</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$ 15,639</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Capital</th>
<th>(to Risk-Weighted Assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td>$ 130,705</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$ 55,978</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$ 33,176</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$ 15,996</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 1 Leverage</th>
<th>(to Average Assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td>$ 129,174</td>
</tr>
<tr>
<td>First Texas Bank- Georgetown</td>
<td>$ 54,987</td>
</tr>
<tr>
<td>First Texas Bank- Killeen</td>
<td>$ 32,992</td>
</tr>
<tr>
<td>First Texas Bank- Lampasas</td>
<td>$ 15,639</td>
</tr>
</tbody>
</table>
FIRST TEXAS BANCORP, INC.  
(Parent Company Only)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018
FIRST TEXAS BANCORP, INC.

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<table>
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<th>Section</th>
<th>Page</th>
</tr>
</thead>
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<tr>
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<td>3-4</td>
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<td>6</td>
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<td>Statements of changes in stockholders' equity</td>
<td>7</td>
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<td>8</td>
</tr>
<tr>
<td>Notes to financial statements</td>
<td>9-13</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
First Texas Bancorp, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of First Texas Bancorp, Inc. (the Company), which comprise the statements of financial condition as of December 31, 2019 and 2018, and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
Auditor's Responsibility - Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Texas Bancorp, Inc. as of December 31, 2019 and 2018, and the 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.

Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial condition of First Texas Bancorp, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended (none of which are presented herein), and we expressed an unqualified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of First Texas Bancorp, Inc. and its subsidiaries, and the financial statements of parent company presented herein are not a valid substitute for those consolidated financial statements.

Austin, TX
February 3, 2020
FIRST TEXAS BANCORP, INC.  
STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2019 AND 2018

**ASSETS**

<table>
<thead>
<tr>
<th>Account</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and due from banks</td>
<td>$ 257,881</td>
<td>$ 1,822,738</td>
</tr>
<tr>
<td>Interest-bearing accounts</td>
<td>24,512,412</td>
<td>19,977,632</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>24,770,293</td>
<td>21,800,370</td>
</tr>
<tr>
<td>Current Federal income tax receivable</td>
<td>446,983</td>
<td>383,298</td>
</tr>
<tr>
<td>Deferred Federal income tax receivable</td>
<td>1,770,235</td>
<td>1,629,034</td>
</tr>
<tr>
<td>Accounts receivable - other</td>
<td>136,381</td>
<td>146,151</td>
</tr>
<tr>
<td>Cash surrender value of life insurance</td>
<td>9,932,883</td>
<td>9,132,073</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>28,892</td>
<td>5,850</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>37,085,667</td>
<td>33,096,776</td>
</tr>
<tr>
<td>Note receivable - First Texas Data, Inc.</td>
<td>900,000</td>
<td>900,000</td>
</tr>
<tr>
<td>Investment in common stock of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Texas Bank - Georgetown, at equity in underlying net assets</td>
<td>58,374,705</td>
<td>54,630,376</td>
</tr>
<tr>
<td>First Texas Bank - Killeen, at equity in underlying net assets</td>
<td>33,489,494</td>
<td>32,779,010</td>
</tr>
<tr>
<td>First Texas Bank - Lampasas, at equity in underlying net assets</td>
<td>16,356,328</td>
<td>15,581,858</td>
</tr>
<tr>
<td>First Texas Data, Inc., at equity in underlying net assets</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>108,221,527</td>
<td>102,992,244</td>
</tr>
<tr>
<td>Furniture and equipment at cost, net of accumulated depreciation</td>
<td>6,277</td>
<td>1,354</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 146,213,471</td>
<td>$ 136,990,374</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2019 AND 2018
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses</td>
<td>$8,485,502</td>
<td>$7,791,512</td>
</tr>
<tr>
<td>Dividends payable</td>
<td>807,714</td>
<td>651,457</td>
</tr>
<tr>
<td></td>
<td>9,293,216</td>
<td>8,442,969</td>
</tr>
</tbody>
</table>

Stockholders' equity

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A common stock, $1 par value per share, 20,000,000 shares authorized, 672,695 shares issued and outstanding</td>
<td>672,695</td>
<td>672,695</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>10,719,038</td>
<td>10,719,038</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>129,198,928</td>
<td>120,805,799</td>
</tr>
<tr>
<td>Accumulated other comprehensive gain (loss) of subsidiaries</td>
<td>395,891</td>
<td>(626,864)</td>
</tr>
<tr>
<td>Less 26,524 and 21,238 shares</td>
<td>(4,066,297)</td>
<td>(3,023,263)</td>
</tr>
<tr>
<td>common stock in treasury, at cost</td>
<td>136,920,255</td>
<td>128,547,405</td>
</tr>
<tr>
<td>Total liabilities and stockholders' equity</td>
<td>$146,213,471</td>
<td>$136,990,374</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from subsidiaries</td>
<td>$9,000,000</td>
<td>$6,750,000</td>
</tr>
<tr>
<td>Earnings on life insurance</td>
<td>351,038</td>
<td>327,372</td>
</tr>
<tr>
<td>policies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>59,780</td>
<td>52,965</td>
</tr>
<tr>
<td>Other income</td>
<td>359</td>
<td>425</td>
</tr>
<tr>
<td></td>
<td><strong>9,411,177</strong></td>
<td><strong>7,130,762</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>965,000</td>
<td>1,039,722</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>1,410,320</td>
<td>1,227,504</td>
</tr>
<tr>
<td>Office rent</td>
<td>44,160</td>
<td>43,560</td>
</tr>
<tr>
<td>Other</td>
<td>157,230</td>
<td>131,049</td>
</tr>
<tr>
<td></td>
<td><strong>2,576,710</strong></td>
<td><strong>2,441,835</strong></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>6,834,467</td>
<td>4,688,927</td>
</tr>
<tr>
<td>and undistributed subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax (benefit) expense from</td>
<td>(588,185)</td>
<td>(490,623)</td>
</tr>
<tr>
<td>consolidation of operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>subsidiaries' income</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>7,422,652</strong></td>
<td><strong>5,179,550</strong></td>
</tr>
<tr>
<td>Undistributed earnings of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total earnings for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Texas Bank, Georgetown</td>
<td>8,466,400</td>
<td>6,662,218</td>
</tr>
<tr>
<td>First Texas Bank, Killeen</td>
<td>2,639,390</td>
<td>2,209,582</td>
</tr>
<tr>
<td>First Texas Bank, Lampasas</td>
<td>2,100,735</td>
<td>1,433,905</td>
</tr>
<tr>
<td></td>
<td><strong>13,206,525</strong></td>
<td><strong>10,305,705</strong></td>
</tr>
<tr>
<td>Less - dividends to parent</td>
<td>9,000,000</td>
<td>6,750,000</td>
</tr>
<tr>
<td>company</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>4,206,525</strong></td>
<td><strong>3,555,705</strong></td>
</tr>
<tr>
<td>Net income</td>
<td>$11,629,177</td>
<td>$8,735,255</td>
</tr>
<tr>
<td>Per share of common stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(based on average shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>outstanding of 648,256 and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>651,457)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>$10.54</td>
<td>$7.20</td>
</tr>
<tr>
<td>and undistributed subsidiaries'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td>$11.45</td>
<td>$7.95</td>
</tr>
<tr>
<td>Net income</td>
<td>$17.94</td>
<td>$13.41</td>
</tr>
<tr>
<td>Cash dividends declared per</td>
<td>$5.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>share</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET INCOME</td>
<td>$ 11,629,177</td>
<td>$ 8,735,255</td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME, NET OF TAX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain (loss) on securities available-for-sale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gain (loss) loss arising during the period</td>
<td>1,022,755</td>
<td>(348,975)</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME</td>
<td>$ 12,651,932</td>
<td>$ 8,386,280</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Retained Earnings</th>
<th>Accumulated Other Comprehensive (Loss) Income</th>
<th>Treasury Stock</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCES, DECEMBER 31, 2017</td>
<td>$ 672,695</td>
<td>$ 10,719,038</td>
<td>$ 114,676,372</td>
<td>$ (277,889)</td>
<td></td>
<td>$ 122,766,953</td>
</tr>
<tr>
<td>COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 8,386,280</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends declared</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BALANCES, DECEMBER 31, 2018</td>
<td>$ 672,695</td>
<td>$ 10,719,038</td>
<td>$ 120,805,799</td>
<td>$ (626,864)</td>
<td></td>
<td>$ 128,547,405</td>
</tr>
<tr>
<td>COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 11,629,177</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 1,022,755</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 12,651,932</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,043,034)</td>
</tr>
<tr>
<td>Cash dividends declared</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(3,236,048)</td>
</tr>
<tr>
<td>BALANCES, DECEMBER 31, 2019</td>
<td>$ 672,695</td>
<td>$ 10,719,038</td>
<td>$ 129,198,928</td>
<td>$ 395,891</td>
<td></td>
<td>$ 136,920,255</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FIRST TEXAS BANCORP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$11,629,177</td>
<td>$8,735,255</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undistributed earnings of subsidiaries</td>
<td>(4,206,525)</td>
<td>(3,555,705)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>985</td>
<td>-</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>(141,201)</td>
<td>(107,325)</td>
</tr>
<tr>
<td>Net earnings on life insurance policies</td>
<td>(253,324)</td>
<td>(237,639)</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable - other</td>
<td>9,770</td>
<td>(9,695)</td>
</tr>
<tr>
<td>(Increase) decrease in income tax receivable</td>
<td>(63,685)</td>
<td>236,677</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses</td>
<td>(23,042)</td>
<td>4,091</td>
</tr>
<tr>
<td>Increase in accrued expenses</td>
<td>693,990</td>
<td>511,829</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>7,646,145</td>
<td>5,577,488</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES:** |           |            |
| Purchase of equipment           | (5,911)   | -          |
| Purchase life insurance policy from subsidiary | (547,486) | -          |
| Redemption of certificate of deposit | - | 3,500,000 |
| Net cash (used in) provided by investing activities | (553,397) | 3,500,000 |

| **CASH FLOWS FROM FINANCING ACTIVITIES:** |           |            |
| Dividends paid in cash           | (3,079,791)| (2,605,828)|
| Purchase of treasury stock       | (1,043,034)| -          |
| Net cash used in financing activities | (4,122,825)| (2,605,828) |

Net increase in cash and cash equivalents | 2,969,923  | 6,471,660  |
Cash and cash equivalents at beginning of year | 21,800,370 | 15,328,710 |
Cash and cash equivalents at end of year | $24,770,293 | $21,800,370 |

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**
Federal income tax benefit received | $375,404   | $619,975   |

The accompanying notes are an integral part of these financial statements.
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Management has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued.

First Texas Bancorp, Inc. (the Company), through its wholly-owned subsidiary banks, First Texas Bank, Georgetown, Texas; First Texas Bank, Lampasas, Texas; and First Texas Bank, Killeen, Texas, (the Banks), provides a variety of banking services to individuals and businesses located primarily in Central Texas and the surrounding area. Its primary deposit products are interest-bearing and noninterest-bearing deposits, and its primary lending products are commercial, business, real estate and consumer loans. First Texas Data, Inc., chartered in 1996 as a wholly-owned subsidiary of First Texas Bancorp, Inc., currently provides data processing services for the Banks.

The financial statements of First Texas Bancorp, Inc. are prepared in conformity with generally accepted accounting principles. Significant revenues and expenses are recorded on the accrual-basis of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of deferred tax assets.

First Texas Bancorp, Inc. records its investments, stock acquired in exchanges for its common stock, at the proportionate share of underlying net asset value as shown by the books of the subsidiaries.

Depreciation is computed on the straight-line method over the estimated useful life of each asset.

Deferred income taxes are provided for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes. The differences relate principally to deferred compensation, depreciation and other timing differences. Deferred income taxes are computed on the liability method as prescribed in the Income Taxes Topic of FASB ASC.

The fair value of financial instruments of First Texas Bancorp, Inc. approximates their carrying amounts. The investment in common stock of subsidiaries is excluded from fair value disclosure, and therefore, no fair value for those investments has been determined.

Cash surrender value of bank owned life insurance includes investments in cash value insurance policies to assist with financing employee compensation and benefit programs. The cash value of the underlying policies accumulates on a tax-free basis and when received, proceeds from death benefits are also tax-free. The earnings on the policies are derived from the investment portfolio returns of the individual insurance carriers for general account policies.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and interest-bearing accounts with original maturity of 90 days or less.
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Revenue from Contracts with Customers Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this revenue recognition guidance. The Company's revenue is primarily comprised of dividends from subsidiaries and interest income, which are excluded from the scope of this guidance. Earnings on cash surrender value of life insurance is also excluded from the scope of this guidance.

Recently Issued or Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting effective for reporting periods beginning after December 15, 2020. This guidance is intended to improve financial reporting about leasing transactions and affects all organizations that lease assets. Management is evaluating the effect the new pronouncement will have on its financial statements.

In May 2014, the FASB issued a new accounting pronouncement regarding revenue from contracts with customers which became effective for reporting periods beginning after December 15, 2018. The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new guidance. The adoption of this guidance did not impact the Company's financial condition or its results of operations but did require new and enhanced disclosures.

In February 2018, the FASB issued a new accounting pronouncement regarding reclassification of certain tax effects from accumulated other comprehensive income which became effective for reporting periods beginning after December 15, 2018. This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation. The adoption of this guidance did not impact the Company's financial condition or its results of operations.

(2) NOTE RECEIVABLE - FIRST TEXAS DATA, INC.:

The note receivable from the Company's wholly-owned subsidiary is a non-interest bearing note.

(3) FEDERAL INCOME TAXES:

First Texas Bancorp, Inc. and Subsidiaries file a consolidated Federal income tax return. The consolidated Federal income tax provision for financial statement purposes is calculated on the corporate regular tax method. In consolidation, the dividends received by First Texas Bancorp, Inc. from subsidiaries are eliminated from taxable income. The resulting operating loss of First Texas Bancorp, Inc. is combined with the operating income of its subsidiaries, creating a Federal income tax benefit.
FEDERAL INCOME TAXES (Continued):

The total income tax (benefit) expense in the statements of income consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>Year Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current - Federal</td>
<td>$ (446,984)</td>
<td>$ (383,298)</td>
</tr>
<tr>
<td>Deferred - Federal</td>
<td>(141,201)</td>
<td>(107,325)</td>
</tr>
<tr>
<td></td>
<td>$ (588,185)</td>
<td>$ (490,623)</td>
</tr>
</tbody>
</table>

The provision for Federal income taxes differs from that computed by applying the Federal statutory rate of 21% in 2019 and 2018, as indicated in the following analysis:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2019</th>
<th>Year Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of tax based on statutory rate</td>
<td>$ 1,435,237</td>
<td>$ 984,675</td>
</tr>
<tr>
<td>Non-taxable dividends from subsidiaries</td>
<td>(1,890,000)</td>
<td>(1,417,500)</td>
</tr>
<tr>
<td>Effect of net earnings on insurance policies</td>
<td>(53,198)</td>
<td>(49,904)</td>
</tr>
<tr>
<td>Effect of other miscellaneous prior year difference</td>
<td>-</td>
<td>(7,894)</td>
</tr>
<tr>
<td>Effect of intercompany transfer of deferred compensation liability</td>
<td>(80,224)</td>
<td>-</td>
</tr>
<tr>
<td>Tax benefit</td>
<td>$ (588,185)</td>
<td>$ (490,623)</td>
</tr>
</tbody>
</table>

Deferred tax assets and liabilities included in the statements of financial condition, based on the Federal statutory rate of 21% for 2019 and 2018, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>$ 1,770,235</td>
<td>$ 1,629,034</td>
</tr>
</tbody>
</table>

Less: valuation allowance

Net deferred tax asset | $ 1,770,235 | $ 1,629,034 |
(3) FEDERAL INCOME TAXES (Continued):

The Income Taxes Topic of FASB ASC clarifies accounting for uncertainty in income taxes recognized in a company's financial statements. The topic details how companies should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. This will not have a material impact on the financial statements of the Company. The Company's tax returns for the last four years remain subject to examination.

(4) DIVIDENDS FROM SUBSIDIARIES:

Dividends declared from subsidiaries are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Texas Bank, Georgetown</td>
<td>$5,250,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>First Texas Bank, Killeen</td>
<td>2,250,000</td>
<td>750,000</td>
</tr>
<tr>
<td>First Texas Bank, Lampasas</td>
<td>1,500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,000,000</strong></td>
<td><strong>$6,750,000</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2017, First Texas Bank Killeen exceeded the Texas Department of Banking requirement that the aggregate cash surrender value of the Bank owned life insurance (BOLI) not exceed 25% of Tier 1 capital. On June 4, 2015 the Texas Department of Banking approved First Texas Bank Killeen to hold up to 30% of Tier 1 capital as part of First Texas Bank Killeen's management action plan to reduce the percentage of BOLI in relation to Tier 1 capital within five years. The action plan provided that First Texas Bank Killeen would cease payment of dividends and would not purchase additional BOLI policies until the percentage of BOLI was below the 25% threshold. During the year ended December 31, 2018, First Texas Bank Killeen's aggregate cash surrender value of BOLI no longer exceeded 25% of Tier 1 capital; therefore, First Texas Bank Killeen resumed payment of dividends.

(5) DEFERRED COMPENSATION ARRANGEMENTS:

The Company has established two non-qualified benefit plans for certain key officers of the Company. These plans are designed to provide substantial retirement and death benefits to these key officers. The Company is accruing a charge which, at the specified retirement age of the key officer, will equal the then present value of the estimated benefits to be paid under the arrangement using a discount rate. The amounts accrued under such arrangements are not deductible by the Company for tax purposes until payments are made to the participants. The amounts accrued are included in employee benefits in the statements of income and totaled $1,243,621 and $1,078,305 in 2019 and 2018, respectively. The amount paid to participants totaled $948,333 and $567,232 in 2019 and 2018, respectively. The balance of the accrual for these deferred compensation arrangements is $8,434,610 and $7,757,304 as of December 31, 2019 and 2018, respectively, and is included in accrued expenses on the statements of financial condition.
(6) EMPLOYEE BENEFITS:

The Company has instituted a 401(k) savings plan for all employees, who have completed ninety days of service and are twenty-one years of age or more. The Company generally matches employee contributions up to a maximum of four percent of gross wages. The Company's contribution to the plan is included in other employee benefits in the statements of income and amounted to $26,320 and $8,890 in 2019 and 2018, respectively.

(7) FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

In the normal course of business, the Banks have outstanding various commitments and contingent liabilities, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. Outstanding consolidated balances are as follows:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments to extend credit</td>
<td>$113,682,267</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>2,931,136</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$116,613,403</strong></td>
</tr>
</tbody>
</table>

The Banks do not anticipate losses as a result of these transactions.

(8) CONCENTRATION OF CREDIT RISK:

The Banks' financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents at correspondent banks. The Banks place their cash and cash equivalents with high credit quality institutions. At times, such correspondent bank accounts may be in excess of the FDIC insurance limit. The Banks routinely assess the financial strength of its correspondent banks and, as a consequence, believe that their credit risk exposure is limited.

(9) TRANSACTIONS WITH DIRECTORS, OFFICERS AND STOCKHOLDERS:

The Banks have had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families, and affiliated companies, in which they are principal stockholders (commonly referred to as related parties) on similar terms, including interest rates, and collateral, as those prevailing at the time for comparable transactions with others. These persons and firms were indebted to the Banks on a consolidated basis for loans totaling $756,372 and $1,690,783 at December 31, 2019 and 2018, respectively. The banks also held related party deposits of $4,767,443 and $8,982,102 at December 31, 2019 and 2018, respectively.

(10) COMMITMENTS AND CONTINGENCIES:

The Company is subject to claims and lawsuits, which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Company.
<table>
<thead>
<tr>
<th>Name &amp; Address</th>
<th>Country/Citizenship/Formation</th>
<th># of Shares</th>
<th>Percentage Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Griffin Lord Trust</td>
<td>USA</td>
<td>185,778</td>
<td>29%</td>
</tr>
<tr>
<td>Georgetown, TX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R. Griffin Lord, Trustee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharon Lord C. Daggett, Trustee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barry J. Haag, Trustee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharon Lord Caskey Trust</td>
<td>USA</td>
<td>185,777</td>
<td>29%</td>
</tr>
<tr>
<td>Georgetown, TX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R. Griffin Lord, Trustee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharon Lord C. Daggett, Trustee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barry J. Haag, Trustee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern Advisory &amp; Consulting Services, Inc.</td>
<td>USA</td>
<td>48,114</td>
<td>7%</td>
</tr>
</tbody>
</table>
Report Item 2a: Organization Chart

FIRST TEXAS BANCORP, INC.
GEORGETOWN, TEXAS
INCORPORATED IN TEXAS

100%
FIRST TEXAS DATA, INC.
GEORGETOWN, TEXAS
INCORPORATED IN TEXAS

100%
FIRST TEXAS BANK
LAMPASAS, TEXAS
INCORPORATED IN TEXAS

100%
FIRST TEXAS BANK
GEORGETOWN, TEXAS
INCORPORATED IN TEXAS

100%
FIRST TEXAS BANK
KILLEEN, TEXAS
INCORPORATED IN TEXAS

Please note: None of the above entities have an LEI
Report Item 2b: Domestic Branch Listing

Copy attached.
Reconciliation and Verification Steps
1. In the Data Action columns of each branch row, enter one or more of the actions specified below.
2. If required, enter the data in the Effective Date column.

Actions
- OR: If the branch information is correct, enter 'OR' in the Data Action columns.
- Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when the information first became valid in the Effective Date column.
- Open: If a branch listed was closed or closed enter 'Open' in the Data Action column and the sale or closure date in the Effective Data column.
- Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
- Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or Legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FFR contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FFR contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a facsimile form or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

FDIC UNNUM* Office Number* Head Office Head Office ID_RSSD* Comments

| Data Action | Effective Date | Branch Service Type | Branch ID_RSSD* | Popular Name | Street Address | City | State | Zip Code | County | Country | FDIC UNNUM* | Office Number* | Head Office | Head Office ID_RSSD* |
|-------------|----------------|---------------------|----------------|-------------|----------------|------|-------|----------|--------|---------|------------|----------------|-------------|----------------|------------------|
| OR          |                | Full Service (Head Office) | 444320 | FIRST TEXAS BANK | 1000 SOUTH 6TH AVENUE | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 274863 | CEDAR PARK BRANCH | 1000 BAGOIS ROAD | CEDAR PARK | TX    | 78625 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 257554 | INDIAN WEIR BRANCH | 1000 INDIAN WEIR | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 254732 | WILLIAMSBURG BRANCH | 1000 WILLIAMSBURG | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 349063 | LIBERTY HILL BRANCH | 1000 LIBERTY HILL | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 280254 | PLEASURGROVE BRANCH | 1000 PLEASURGROVE | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 253709 | ROCK RIVER BRANCH | 1000 ROCK RIVER | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service (Head Office) | 448737 | BELTON BRANCH | 1000 BELTON | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 292350 | BELTON BRANCH | 1000 BELTON | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 388379 | GLOVERSDALE BRANCH | 1000 GLOVERSDALE | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 389278 | NORTH EAST STREET BRANCH | 1000 NORTH EAST STREET | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 348978 | MILANO SPRINGS BRANCH | 1000 MILANO SPRINGS | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service (Head Office) | 487578 | FIRST TEXAS BANK | 1000 FIRST TEXAS | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |
| OR          |                | Full Service | 352269 | 8TH AVENUE BRANCH | 1000 8TH AVENUE | GEORGETOWN | TX    | 78626-5822 | WILLIAMSON | UNITED STATES | Not Required | Not Required | FIRST TEXAS BANK | 484272 |

Results: A list of branches for your holding company FIRST TEXAS BANCORP, INC. (1330613) of GEORGETOWN, TX.
The data are as of 11/31/2019. Data reflects information that was received and processed through 01/07/2020.
REPORT ITEM #3

SHAREHOLDERS

A list of each shareholder of record that directly owns, controls or holds with power to vote 5 percent or more of any class of voting securities of the bank holding company is included as a part of this report.
Item 3(2) N/A
REPORT ITEM #4

DIRECTORS AND OFFICERS

Each principal shareholder, director, trustee, partner, executive officer, or person exercising similar functions, regardless of title or compensation, has been listed with the prescribed information which is made a part of this report.
<table>
<thead>
<tr>
<th>Name</th>
<th>City, State, Country</th>
<th>Principal Occupation if other than the Holding Company</th>
<th>Title &amp; Position with Holding Company</th>
<th>Title &amp; Position with Subsidiaries (include names of subsidiaries)</th>
<th>Title &amp; Position with Other Businesses (include names of other Businesses)</th>
<th>Percentage of Voting Shares in Holding Company</th>
<th>Percentage of Voting Shares in Subsidiaries</th>
<th>List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larry J. Haag</td>
<td>Georgetown, TX, USA</td>
<td>N/A</td>
<td>Chairman of the Board</td>
<td>Chief Executive Officer</td>
<td>Director</td>
<td>N/A</td>
<td>N/A</td>
<td>R.G. Lord Trust Trustee, S. Lord Caskey Trust Director/Vice Chair Round Rock Christian Academy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chairman of the Board</td>
<td>First Texas Data, Inc.</td>
<td>Chairman of the Board</td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Director</td>
<td>First Texas Bank-Georgetown</td>
<td>Chairman of the Board</td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Director</td>
<td>First Texas Bank-Killeen</td>
<td>Chairman of the Board</td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Director</td>
<td>First Texas Bank-Lampasas</td>
<td></td>
<td></td>
<td>N/A</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Trustee</td>
<td>R.G. Lord Trust Trustee</td>
<td></td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Trustee</td>
<td>S. Lord Caskey Trust Director/Vice Chair</td>
<td></td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Trustee</td>
<td>Round Rock Christian Academy</td>
<td></td>
<td></td>
<td>N/A</td>
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<td></td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Name, City, State, Country</td>
<td>Principal Occupation if other than the Holding Company</td>
<td>Title &amp; Position with Holding Company</td>
<td>Title &amp; Position with Subsidiaries (include names of subsidiaries)</td>
<td>Title &amp; Position with Other Businesses (include names of other Businesses)</td>
<td>Percentage of Voting Shares in Holding Company</td>
<td>Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)</td>
<td>List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)</td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
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<td>---------------------------------------------------------------------------------</td>
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<td></td>
</tr>
<tr>
<td>R. Griffin Lord</td>
<td>Retired Banker</td>
<td>Director</td>
<td>Vice-Chairman, Director, First Texas Bank-Killeen</td>
<td>Trustee, Southwestern Univ. Trustee, R. G. Lord Trust, Trustee, S. Lord Caskey Trust</td>
<td>21%</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Belton, TX USA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Signature:* 2/3/2020
<table>
<thead>
<tr>
<th>Name, City, State, Country</th>
<th>Principal Occupation if other than the Holding Company</th>
<th>Title &amp; Position with Holding Company</th>
<th>Title &amp; Position with Subsidiaries (include names of subsidiaries)</th>
<th>Title &amp; Position with Other Businesses (include names of other Businesses)</th>
<th>Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)</th>
<th>List names of other companies (includes partnerships) if 25% or more of voting securities are held (list names of companies and percentage of voting securities held)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharon Lord Daggett Phoenix, AZ</td>
<td>Retired Banker</td>
<td>Director</td>
<td>N/A</td>
<td>Trustee</td>
<td>R. G. Lord Trust Trustee S. Lord Caskey Trust Honoree Director Providence Place Director St. Edwards University Member Board of Visitors Southwestern University</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Note: The handwritten entries are not fully legible.*
<table>
<thead>
<tr>
<th>Name, City, State, Country</th>
<th>Principal Occupation if other than the Holding Company</th>
<th>Title &amp; Position with Holding Company</th>
<th>Title &amp; Position with Subsidiaries (Include names of subsidiaries)</th>
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<th>List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carolyn L. Steenken</td>
<td>(\text{SR.-V.P./Treasurer})</td>
<td>(\text{N/A})</td>
<td>(\text{N/A})</td>
<td>(\text{N/A})</td>
<td>(\text{N/A})</td>
<td>(\text{N/A})</td>
<td>(\text{N/A})</td>
</tr>
<tr>
<td>Georgetown, TX USA</td>
<td>(\text{N/A})</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(1/30/2020\)
<table>
<thead>
<tr>
<th>Name, City, State, Country</th>
<th>Principal Occupation if other than the Holding Company</th>
<th>Title &amp; Position with Holding Company</th>
<th>Title &amp; Position with Subsidiaries (include names of subsidiaries)</th>
<th>Title &amp; Position with Other Businesses (include names of other businesses)</th>
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<th>List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sie M. Green</td>
<td>Georgetown, TX, USA</td>
<td>Vice-President</td>
<td>Secretary</td>
<td>First Texas Data, Inc.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Secretary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td>All other Subsidiaries</td>
</tr>
<tr>
<td>Name, City, State, Country</td>
<td>Principal Occupation if other than the Holding Company</td>
<td>Title &amp; Position with Holding Company</td>
<td>Title &amp; Position with Subsidiaries (include names of subsidiaries)</td>
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</tr>
<tr>
<td>-----------------------------</td>
<td>------------------------------------------------------</td>
<td>--------------------------------------</td>
<td>---------------------------------------------------------------</td>
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<td>-----------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
</tr>
<tr>
<td>Owen P. Carpenter, Jr.</td>
<td>Retired Banker</td>
<td>Advisory Director</td>
<td>Director First Texas Bank-Killeen</td>
<td>N/A</td>
<td>2%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Austin, TX USA</td>
<td></td>
<td></td>
<td>N/A All other Subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Signature: [Signature]
Date: 2/1/2020