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(b)(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, 1850(a)(1), and 5488(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.

Wade Donnell
Name of the Holding Company Director and Official

Date of Signature
03/18/2020

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

RSSD ID

C.I.

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

N/A

Reporters' Name, Street, and Mailing Address

Horizon Bankshares, Inc.

2535 N.E. 28th Street

Fort Worth, TX 76106

Physical Location (If different from mailing address)

Person to whom questions about this report should be directed:

Melinda Mayben
SVP/CFO

Name
Title

Phone Number / Area Code / Extension

Email Address

mmayben@nbt.bank

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."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.90 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20550.
Report Item

1: The bank holding company prepares an annual report to shareholders and is not registered with the SEC. A copy of the annual report is included.

2A: Organization Chart

```
HORIZON BANKSHARES, INC.
(LEI: N/A)
FORT WORTH, TX, USA
INCORPORATED IN TEXAS

100%

THE NATIONAL BANK OF TEXAS
at FORT WORTH
(LEI: N/A)
FORT WORTH, TX, USA
INCORPORATED IN TEXAS
```
### Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2019

<table>
<thead>
<tr>
<th>Name &amp; Address (City, State, Country)</th>
<th>Country of Citizenship or Incorporation</th>
<th>Number and Percentage of Each Class of Voting Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen Family (1)</td>
<td>USA</td>
<td>6,124 common stock 5.25%</td>
</tr>
<tr>
<td>Fort Worth, TX, USA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cantrell Family (3)</td>
<td>USA</td>
<td>7,025 common stock 6.03%</td>
</tr>
<tr>
<td>Colleyville, TX, USA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rector Family (4)</td>
<td>USA</td>
<td>15,290 common stock 13.11%</td>
</tr>
<tr>
<td>Fort Worth, TX, USA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2019

<table>
<thead>
<tr>
<th>(2)(a) Name &amp; Address (City, State, Country)</th>
<th>(2)(b) Country of Citizenship or Incorporation</th>
<th>(2)(c) Number and Percentage of Each Class of Voting Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name &amp; Address (City, State, Country)</td>
<td>Country of Citizenship or Incorporation</td>
<td>Number and Percentage of Each Class of Voting Securities</td>
</tr>
<tr>
<td>---------------------------------------</td>
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<td>--------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Allen Family (1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gary M. Allen Grantor Trust</td>
<td>USA</td>
<td>3,734 common stock 3.20%</td>
</tr>
<tr>
<td>Scott Marshall Allen Trustee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beverly H. Allen Grantor Trust</td>
<td>USA</td>
<td>2,390 common stock 2.05%</td>
</tr>
<tr>
<td>Ms. Robyn Allen Canterbury Trustee</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cantrell Family (3)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gary L. or Karen Cantrell JTWROS A</td>
<td>USA</td>
<td>6,000 common stock 5.15%</td>
</tr>
<tr>
<td>Nathan C. Cantrell</td>
<td>USA</td>
<td>1,025 common stock 0.88%</td>
</tr>
<tr>
<td><strong>Rector Family (4)</strong></td>
<td></td>
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</tr>
<tr>
<td>Andrew C. and Kathy Rector Tenants in Common</td>
<td>USA</td>
<td>3,585 common stock 3.07%</td>
</tr>
<tr>
<td>Andrew Campbell Rector 2009 Irr Trust</td>
<td>USA</td>
<td>2,813 common stock 2.41%</td>
</tr>
<tr>
<td>Andrew C. Rector Trustee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linda Lloyd Rector 2009 Irr Trust</td>
<td>USA</td>
<td>2,814 common stock 2.41%</td>
</tr>
<tr>
<td>Andrew C. Rector Trustee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scott Willis Rector 2009 Irr Trust</td>
<td>USA</td>
<td>2,813 common stock 2.41%</td>
</tr>
<tr>
<td>Andrew C. Rector Trustee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tracy T. Rector 2009 Irr Trust</td>
<td>USA</td>
<td>2,813 common stock 2.41%</td>
</tr>
<tr>
<td>Andrew C. Rector Trustee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brett and Ashley Rector</td>
<td>USA</td>
<td>452 common stock 0.39%</td>
</tr>
</tbody>
</table>

^Joint Tenant with Right of Survivorship (JTWROS)
## Results: A list of branches for your holding company: HORIZON BANKSHARES, INC. (1133026) of FORT WORTH, TX.

The data are as of 12/31/2019. Data reflects information that was received and processed through 03/05/2020.

### Reconciliation and Verification Steps

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the **Effective Date** column.

#### Actions

**OK:** If the branch information is correct, enter ‘OK’ in the **Data Action** column.

**Change:** If the branch information is incorrect or incomplete, revise the data, enter ‘Change’ in the **Data Action** column and the date when this information first became valid in the **Effective Date** 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 FRB contact. See the detailed instructions on this site for more information.

If you are e-mailing this to your FRB 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 hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

### 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*, Comments

<table>
<thead>
<tr>
<th>Data Action</th>
<th>Effective Date</th>
<th>Branch Service Type</th>
<th>Branch ID_RSSD</th>
<th>Popular Name</th>
<th>Street Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>County</th>
<th>Country</th>
<th>FDIC UNNUM*</th>
<th>Office Number*</th>
<th>Head Office</th>
<th>Head Office ID_RSSD*</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK</td>
<td>406059</td>
<td>Full Service (Head Office)</td>
<td>406059</td>
<td>NATIONAL BANK OF TEXAS AT FORT WORTH, THE</td>
<td>2535 N.E. 28TH ST</td>
<td>FORT WORTH</td>
<td>TX</td>
<td>76106</td>
<td>TARRANT</td>
<td>UNITED STATES</td>
<td>Not Required</td>
<td>Not Required</td>
<td>NATIONAL BANK OF TEXAS AT FORT WORTH, THE</td>
<td>406059</td>
<td></td>
</tr>
<tr>
<td>OK</td>
<td>427637</td>
<td>Full Service</td>
<td>427637</td>
<td>NATIONAL BANK OF TEXAS AT FORT WORTH, THE</td>
<td>400 E RENFRO ST</td>
<td>BURLESON</td>
<td>TX</td>
<td>76028</td>
<td>BURLESON</td>
<td>UNITED STATES</td>
<td>Not Required</td>
<td>Not Required</td>
<td>NATIONAL BANK OF TEXAS AT FORT WORTH, THE</td>
<td>427637</td>
<td></td>
</tr>
<tr>
<td>OK</td>
<td>299415</td>
<td>Full Service</td>
<td>299415</td>
<td>NATIONAL BANK OF TEXAS AT FORT WORTH, THE</td>
<td>2080 PRECINCT LINE RD</td>
<td>HURST</td>
<td>TX</td>
<td>76054</td>
<td>TARRANT</td>
<td>UNITED STATES</td>
<td>Not Required</td>
<td>Not Required</td>
<td>NATIONAL BANK OF TEXAS AT FORT WORTH, THE</td>
<td>299415</td>
<td></td>
</tr>
<tr>
<td>Names and address (City, State, Country)</td>
<td>Principal occupation if other than with Bank Holding Company</td>
<td>Title &amp; Position with Bank 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 Bank 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>
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<tr>
<td>George M. Bradford</td>
<td>Consultant</td>
<td>Director and Vice Chairman</td>
<td>Director and Chairman, National Bank of Texas</td>
<td>None</td>
<td>0.90%</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Wade C. Donnell</td>
<td>Banker</td>
<td>Director and President</td>
<td>Secretary, SK Products, Inc.; Trustee, Wright Grandchildren's Trust et all</td>
<td>0.07%</td>
<td>None</td>
<td>None</td>
<td>None</td>
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<tr>
<td>George Chaggaris</td>
<td>Banker</td>
<td>Vice President</td>
<td>Executive Vice President/CEO, National Bank of Texas</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Rhonda L. Heritage</td>
<td>Banker</td>
<td>Vice President</td>
<td>Executive Vice President/COO, National Bank of Texas</td>
<td>None</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Melinda Mayben</td>
<td>Banker</td>
<td>Secretary/Treasurer</td>
<td>Senior Vice President/COO, National Bank of Texas</td>
<td>First Successor Trustee, the Demetra A. Mayben Revocable Living Trust; Grantor/Trustee, Melinda Ann Mayben Family Revocable Trust</td>
<td>None</td>
<td>None</td>
<td>Melinda Ann Mayben Family Revocable Trust, 100%</td>
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<tr>
<td>Rebecca S. Boddy</td>
<td>Consultant</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>None</td>
<td>4.95%</td>
<td>None</td>
<td>A1's Inv, 100%; A1's Formal Wear Inc., 100%; PV Capital LTD, 100%; Sankary Property Co Austin, 100%; Sankary Management Co, 100%; Sankary Family Partnership, 100%; Sankary Legacy Trust, 100%; Sankary Dynasty Trust, 100%; Sankary Exempt Trust, 100%</td>
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<tr>
<td>Leonhard H. Brantley, Jr.</td>
<td>Consultant</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>None</td>
<td>1.56%</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Gary L. Cantrell</td>
<td>Real Estate Development</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>Chairman, Cantrell Development Group Inc.; Limited Partner, Glade Family, LTD; Managing Member, GLKZ Properties, LTD; Limited Partner, NCA Oak Harbor, LTD; Limited Partner, NCA Riverdance, LTD</td>
<td>5.15%</td>
<td>None</td>
<td>Cantrell Development Group Inc., 30%; Glade Family LTD, 19.5%; GLKZ Properties, LLC, 50%; NCA Riverdance, LTD, 25%; NCA Oak Harbor, LTD, 25%</td>
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<tr>
<td>Nathan C. Cantrell</td>
<td>Real Estate Development</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>President, Nate Cantrell Construction LLC; Chief Operating Officer, Cantrell Development Group Inc.; Limited Partner, Elk Office Park, LTD; Limited Partner, Branded C Ventures, LTD; Limited Partner, Glade Family, LTD; Limited Partner, NCA Riverdance LTD; Partner, Cantrell Development Group West, LLC; President, Trophy Point Construction, Inc.</td>
<td>0.88%</td>
<td>None</td>
<td>Nate Cantrell Construction LLC, 99%; Cantrell Development Group Inc., 25%; Elk Office Park LTD, 34%; Branded C Ventures LTD, 33%; Glade Family LTD, 25%; NCA Riverdance LTD, 25%; Cantrell Development Group West LLC, 25%; Trophy Point Construction, Inc., 50%</td>
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<td>(4)(b)</td>
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<tr>
<td>Steven G. Eargle</td>
<td>Attorney</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>Partner, Fort Worth Royalty Company; Shareholder, Rector &amp; Eargle, PC; Shareholder, Beckham, Rector &amp; Eargle, LLC; CEO &amp; Founder, Seek First Foundation; Limited &amp; General Partner, Twisted Off Aviation, Shareholder, SEAR Properties, LC; Limited &amp; General Partner, Big Redhorn Properties, LP; Settler, Eargle 2008 Insurance Trust; Trustee &amp; Member, Live Oak Foundation; Trustee, Eargle 2002 Trust; Rector &amp; Eargle, PC owner, Fidelity National Title</td>
<td>3.07%</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Pamela W. Hackel</td>
<td>Consultant</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>None</td>
<td>1.16%</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Steve Parker</td>
<td>Investments</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>Owner, S.L.A.P. Investments, LLC; Trustee, Parker Living Trust 50%</td>
<td>2.43%</td>
<td>None</td>
<td>None</td>
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<tr>
<td>James W. Wilson</td>
<td>Advertising/Marketing</td>
<td>Director</td>
<td>Director, National Bank of Texas</td>
<td>President, James W. Wilson, Inc.; Part Owner, Jim &amp; Marianna Wilson Rental Account; General Partner, Mainstay Farm, LLC; General Partner, LUMICA, LLC; General Partner, James W. Wilson Group Strategic, LLP; General Partner, Rector &amp; Eargle, PC</td>
<td>0.49%</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Andrew C. Rector</td>
<td>Attorney</td>
<td>Principal Securities Holder</td>
<td>N/A</td>
<td>General Partner, Fort Worth Royalty Co; Chairman, Rector &amp; Eargle, PC; Partner, Beckham, Rector &amp; Eargle, LLP; Chairman of GP, Big Redhorn Properties, LP; Chairman, SEAR Properties, LC; CEO, Live Oak Foundation; Sole Member, Oaknutt Partners, LC; President of GP, Rector Oil, LTD; President of GP, Rector Family Limited Partnership; President of GP, Rector Investments, LP; President of GP, Rector Holdings; Trustee, Rector Living Trust I; Trustee, Rector Living Trust M2; Trustee Rector 2009 Irrevocable Trust; Trustee, Rector 2012 Family Trust; Trustee, Rector Family QPRRT; Trustee, Jane F Rector QPRRT; President, ASTL, Buckeye Enterprises, LC; Trustee, Andrew Campbell Rector 2009 Irrev Trust; Trustee, Linda Lloyd Rector 2009 Irrev Trust; Trustee, Scott Willis Rector 2009 Irrev Trust; Trustee, Tracy T. Rector 2009 Irrev Trust; Rector &amp; Eargle, PC owner, Fidelity National Title</td>
<td>13.11%</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Kathy Rector</td>
<td>Homemaker</td>
<td>Principal Securities Holder</td>
<td>N/A</td>
<td>None</td>
<td>3.07%</td>
<td>None</td>
<td>None</td>
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</table>

Wilson Family total shares common stock 1,023 voting shares 0.88% (Elizabeth Wilson Adcock is not a director)

Bodzy Family total shares common stock 5,773 voting shares 4.95%

Cantrell Family total shares common stock 7,025 voting shares 6.03%

Rector Family - Andrew C. and Kathy Rector, Tenants in Common (3.07%); Andrew Campbell Rector 2009 Irrev Trust; Andrew C. Rector Trustee (2.41%); Linda Lloyd Rector 2009 Irrev Trust; Andrew C. Rector Trustee (2.41%); Scott Willis Rector 2009 Irrev Trust; Andrew C. Rector Trustee (2.41%); Tracy T. Rector 2009 Irrev Trust; Andrew C. Rector Trustee (2.41%); Brett and Ashley Rector (0.39%); shares common stock 15,290 voting shares 13.11%

Brantley Family total shares common stock 3,347 voting shares 2.72%

5.15% owned by Gary L. or Karen Cantrell, JTWROS

Joint Tenant with Right of Survivorship (JTWROS)
HORIZON BANKSHARES, INC.  
AND SUBSIDIARY

Consolidated Financial Statements  
and Additional Information

December 31, 2019 and 2018

(With Independent Auditor’s Report Thereon)
Independent Auditor’s Report

The Board of Directors
Horizon Bankshares, Inc. and Subsidiary
Fort Worth, Texas

We have audited the accompanying consolidated financial statements of Horizon Bankshares, Inc. and Subsidiary (Company), which comprise the consolidated balance sheets 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 upon 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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.

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 Horizon Bankshares, Inc. and Subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Payne & Smith, LLC

January 22, 2020
# Horizon Bankshares, Inc. and Subsidiary

## Consolidated Balance Sheets

December 31, 2019 and 2018

(In Thousands)

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$45,020</td>
<td>$9,699</td>
</tr>
<tr>
<td>Interest bearing deposit in other banks</td>
<td>2,515</td>
<td>-</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>28,564</td>
<td>61,078</td>
</tr>
<tr>
<td>Loans</td>
<td>209,356</td>
<td>200,545</td>
</tr>
<tr>
<td>Bank premises and equipment</td>
<td>8,058</td>
<td>7,183</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>640</td>
<td>748</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,862</td>
<td>1,852</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$296,015</strong></td>
<td><strong>$281,105</strong></td>
</tr>
</tbody>
</table>

### Liabilities and Stockholders' Equity

**Deposits:**

- Noninterest bearing $89,940 $87,337
- Interest bearing 171,670 142,417
  - **Total deposits** 261,610 229,754

**Federal funds purchased** - 50

**Other borrowings** - 20,000

**Accrued interest payable** 174 155

**Other liabilities** 676 514

**Commitments and contingencies** - -

**Stockholders' equity:**

- Common stock 124 124
- Paid-in capital 17,644 17,644
- Retained earnings 16,876 15,724
- Accumulated other comprehensive loss (300) (2,073)
  - **Total stockholders' equity** 34,344 31,419

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury stock, at cost</td>
<td>(789)</td>
<td>(787)</td>
</tr>
<tr>
<td><strong>Total stockholders' equity</strong></td>
<td><strong>$296,015</strong></td>
<td><strong>$281,105</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### HORIZON BANKSHARES, INC. AND SUBSIDIARY

**Consolidated Statements of Income**

For the Years Ended December 31, 2019 and 2018

(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and fees on loans</td>
<td>$11,345</td>
<td>$9,547</td>
</tr>
<tr>
<td>Interest on securities</td>
<td>838</td>
<td>1,372</td>
</tr>
<tr>
<td>Interest on interest bearing deposits in other banks</td>
<td>447</td>
<td>229</td>
</tr>
<tr>
<td>Other</td>
<td>93</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td><strong>12,723</strong></td>
<td><strong>11,207</strong></td>
</tr>
<tr>
<td><strong>Interest expense:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on deposit accounts</td>
<td>1,860</td>
<td>1,007</td>
</tr>
<tr>
<td>Other</td>
<td>213</td>
<td>316</td>
</tr>
<tr>
<td><strong>Total interest expense</strong></td>
<td><strong>2,073</strong></td>
<td><strong>1,323</strong></td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td><strong>10,650</strong></td>
<td><strong>9,884</strong></td>
</tr>
<tr>
<td><strong>Provision for loan losses</strong></td>
<td><strong>954</strong></td>
<td><strong>870</strong></td>
</tr>
<tr>
<td><strong>Net interest income after provision for loan losses</strong></td>
<td><strong>9,696</strong></td>
<td><strong>9,014</strong></td>
</tr>
<tr>
<td><strong>Noninterest income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service charges and fees</td>
<td>1,031</td>
<td>939</td>
</tr>
<tr>
<td>Net gain on sale of securities available for sale</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>826</td>
<td>648</td>
</tr>
<tr>
<td><strong>Total noninterest income</strong></td>
<td><strong>1,857</strong></td>
<td><strong>1,588</strong></td>
</tr>
<tr>
<td><strong>Noninterest expense:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>5,929</td>
<td>4,929</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,363</td>
<td>880</td>
</tr>
<tr>
<td>Net loss on sale of securities available for sale</td>
<td>31</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>2,571</td>
<td>2,097</td>
</tr>
<tr>
<td><strong>Total noninterest expense</strong></td>
<td><strong>9,894</strong></td>
<td><strong>7,906</strong></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>$1,659</strong></td>
<td><strong>$2,696</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
HORIZON BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2019 and 2018

(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$1,659</td>
<td>$2,696</td>
</tr>
<tr>
<td>Other comprehensive income (loss) on securities available for sale:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net unrealized loss during the period</td>
<td>1,742</td>
<td>(599)</td>
</tr>
<tr>
<td>Reclassification adjustment for net losses (gains) included in net income</td>
<td>31</td>
<td>(1)</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>1,773</td>
<td>(600)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>$3,432</td>
<td>$2,096</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
HORIZON BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2019 and 2018

(In Thousands, Except for Share Amounts)

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Accumulated Other</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares Authorized</td>
<td>Paid-in</td>
<td>Retained</td>
<td>Comprehensive</td>
<td>Treasury</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Shares</td>
<td>Amount</td>
<td>Capital</td>
<td>Earnings</td>
<td>Loss</td>
<td>Stock</td>
</tr>
<tr>
<td>Balance January 1, 2018</td>
<td>124,035</td>
<td>$124</td>
<td>$17,644</td>
<td>$14,309</td>
<td>$(1,473)</td>
<td>$(787)</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>2,696</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(600)</td>
<td>-</td>
</tr>
<tr>
<td>Distributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,281)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance December 31, 2018</td>
<td>124,035</td>
<td>124</td>
<td>17,644</td>
<td>15,724</td>
<td>(2,073)</td>
<td>(787)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>1,659</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,773</td>
<td>-</td>
</tr>
<tr>
<td>Distributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(507)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance December 31, 2019</td>
<td>124,035</td>
<td>$124</td>
<td>$17,644</td>
<td>$16,876</td>
<td>$(300)</td>
<td>$(789)</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
# HORIZON BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(In Thousands)

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>$1,659</td>
<td>$2,696</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile net income to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>592</td>
<td>464</td>
</tr>
<tr>
<td>Net loss (gain) on sales of securities available for sale</td>
<td>31</td>
<td>(1)</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>954</td>
<td>870</td>
</tr>
<tr>
<td>Decrease (increase) in other assets</td>
<td>78</td>
<td>(1,170)</td>
</tr>
<tr>
<td>Increase in other liabilities</td>
<td>181</td>
<td>15</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>3,495</strong></td>
<td><strong>2,874</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in interest bearing deposits in other banks</td>
<td>(2,515)</td>
<td>-</td>
</tr>
<tr>
<td>Purchases of securities available for sale</td>
<td>(74,997)</td>
<td>(73,979)</td>
</tr>
<tr>
<td>Proceeds from sales, maturities, calls and paydowns of securities available for sale</td>
<td>109,087</td>
<td>87,034</td>
</tr>
<tr>
<td>Net originations of loans</td>
<td>(9,765)</td>
<td>(43,152)</td>
</tr>
<tr>
<td>Net additions to bank premises and equipment</td>
<td>(1,281)</td>
<td>(3,651)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td><strong>20,529</strong></td>
<td><strong>(33,748)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in demand deposits, NOW and savings accounts</td>
<td>12,421</td>
<td>(8,022)</td>
</tr>
<tr>
<td>Net increase in certificates of deposits</td>
<td>19,435</td>
<td>12,146</td>
</tr>
<tr>
<td>Net (decrease) increase in federal funds purchased</td>
<td>(50)</td>
<td>50</td>
</tr>
<tr>
<td>(Repayments) proceeds from other borrowings</td>
<td>(20,000)</td>
<td>20,000</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td>Cash distributions</td>
<td>(507)</td>
<td>(1,281)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td><strong>11,297</strong></td>
<td><strong>22,893</strong></td>
</tr>
</tbody>
</table>

| Net increase (decrease) in cash and cash equivalents | 35,321 | (7,981) |
| Cash and cash equivalents at beginning of year | 9,699  | 17,680 |
| **Cash and cash equivalents at end of year** | **$45,020** | **$9,699** |

See accompanying notes to consolidated financial statements.
1. **Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used by Horizon Bankshares, Inc. and Subsidiary (together referred to as Company) in the preparation of its consolidated financial statements. These accounting policies conform to generally accepted accounting principles and practices generally followed within the banking industry. A description of the more significant of these policies follows.

**Basis of Presentation**

The accompanying consolidated financial statements include the accounts of Horizon Bankshares, Inc. (Bankshares) and its wholly owned subsidiary, The National Bank of Texas at Fort Worth (Bank). All significant inter-company transactions and balances have been eliminated in consolidation.

**Business**

Horizon Bankshares, Inc. is a one bank holding company with a corporate office in Fort Worth, Texas, which provides a full range of banking services to individual and corporate customers and is subject to competition from other banks and financial institutions. The Bank and Bankshares are subject to the regulations of certain federal agencies and undergo periodic examinations by those regulatory agencies.

**Use of Estimates**

The preparation of consolidated 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 valuation of other real estate owned. While management uses available information to recognize losses on loans and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company’s allowance for loan and other real estate losses. They may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

A significant portion of the Company’s loans are secured by real estate and related assets located in local and regional markets. Accordingly, the ultimate collectibility of this portion of the Company’s loan portfolio is susceptible to changes in those market conditions.

**Cash and Cash Equivalents**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, other short-term investments and federal funds sold. All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

**Interest Bearing Deposits in Other Banks**

Interest bearing deposits in other banks are carried at cost and generally mature within twelve to twenty-four months.
Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers many factors, including (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, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans

The Company grants commercial, real estate, agricultural, and consumer loans to customers. The ability of the Company’s debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charges offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees and costs associated with originating loans are recognized in income generally in the period in which the fees and costs were incurred. Under generally accepted accounting principles, such net fees or costs generally are deferred and recognized over the life of the loan as an adjustment of yield. For the years ending December 31, 2019 and 2018, management believes that not deferring such fees and costs and amortizing them over the life of the related loans does not materially affect the financial position or results of operations of the Company.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management’s opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, the Company considers the borrower’s debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Company’s collateral position. Regulatory provisions typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest on nonaccrual loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan’s existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment based on historical loss experience, current economic conditions, and performance trends.

Interest payments on impaired loans are typically applied to principal unless collectibility of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Troubled Debt Restructured (TDR) Loans

A TDR loan is a loan which the Company, for reasons related to a borrower’s financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms, which have been modified or restructured due to a borrower’s financial difficulty, include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals, and rewrites. A TDR loan would generally be considered impaired in the year of modification and will be assessed periodically for further impairment.
Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses inherent in the loan portfolio. The allowance for possible loan losses includes allowance allocations calculated in accordance with ASC Topic 310, Receivables and allowance allocations calculated in accordance with ASC Topic 450, Contingencies. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general allocation is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor’s liquidity, and other financial and qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves, which are maintained to cover uncertainties that affect the Company’s estimate of probable losses including economic uncertainty and large single defaults.

Bank Premises and Equipment

Land is carried at cost. Premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method over the estimated useful lives of the related property.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Revenue Recognition

Effective January 1, 2019, the Company adopted new policies related to revenue recognition with the adoption of Accounting Standards Update ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The implementation of the new standard did not have a material impact on the measurement or recognition of revenue. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with accounting under Topic 605.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to non-interest revenue streams, such as deposit related fees, interchange fees, merchant income, and brokerage and investment advisory service commissions. The recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company’s revenue is generated from contracts with customers.
Income Taxes

The Company has elected S Corporation status and, accordingly, earnings and losses are included in the personal income tax returns of the Company’s stockholders and taxed depending on personal tax strategies. The Company will generally not incur additional income tax obligations and future financial statements will generally not include a provision for income taxes. The Company’s stockholders are obligated to pay federal income taxes on the earnings of Bankshares which include the earnings of the Bank. Bankshares has no substantial operations other than the ownership of the Bank. Accordingly, the Bank expects to declare cash distributions to Bankshares but the amount of dividends paid by the Bank may be limited due to certain regulatory restrictions. Bankshares expects to declare cash dividends to its stockholders in amounts sufficient to fund the stockholders’ tax payments as they come due. However, Bankshares has no obligation to distribute amounts sufficient to fund the stockholder’s tax payments.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company’s tax positions and concluded that the Company had maintained its S Corporation status and had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2016.

Treasury Stock

Treasury stock is recorded at cost. At December 31, 2019 and 2018, respectively, the Company had 7,449 and 7,440 shares held in treasury.

Off-Balance Sheet Credit Related Financial Instruments

The Company has not acquired or issued any derivative financial instruments.

In the ordinary course of business the Company may enter into certain off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Advertising

Advertising consists of the Company’s advertising in its local market area. Advertising is expensed as incurred. Advertising expense was approximately $96,000 and $61,000 for the years ended December 31, 2019 and 2018, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss), which includes the change in unrealized gains and losses on securities available for sale.

Fair Values of Financial Instruments

ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company’s creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.
Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through January 22, 2020, the date the consolidated financial statements were available to be issued.

Accounting Pronouncement Adopted in 2018

In January 2016, the FASB issued ASU 2016-01 which eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The new standard is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company early adopted the provisions which allow for the discontinuation of the fair value disclosures for financial instruments not measured at fair value as of January 1, 2018.

Reclassification

Certain amounts previously reported have been reclassified to conform to the current format.

2. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (Topic 842). The amendment to the Leases topic of the Accounting Standards Codification was to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amended guidance and subsequent updates require lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) A lease liability, which is the lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The amendment will be effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Earlier application is permitted. This statement is not expected to have a material impact on the Company’s consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The update and subsequent updates require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as the credit quality and underwriting standards of an organization’s portfolio. The guidance replaces the incurred loss model with a current expected loss model, which is referred to as the current expected credit loss (CECL) model. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In April 2019, The FASB issued Accounting Standards Update 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses (Topic 815), Derivatives and Hedging, and Financial Instruments (Topic 825) to address certain codification improvements and to provide certain accounting policy electives related to accrued interest as well as the disclosure related to credit losses, among other things. In May 2019, the FASB issued Accounting Standards Update 2019-05, Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief, to provide transition relief in connection with the adoption of ASU 2016-03, whereby entities would have the option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The amendments for non-public business entities will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal year beginning after December 15, 2018. The Company has formed a CECL committee and is evaluating the impact this amendment will have on the Company’s consolidated financial statements. The adoption of ASU 2016-13 is not expected to have a significant impact on the regulatory capital ratios. The ultimate impact of adoption could be significantly different than current expectation as modeling processes will be significantly influenced by the composition, characteristics and quality of the loan and securities portfolios as the prevailing economic conditions and forecasts as of that date, notwithstanding any further refinements to the expected credit loss models.
3. **Statement of Cash Flows**

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, loans made to customers and principal collections on those loans.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2019 and 2018 are as follows (in thousands):

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense paid</td>
<td>$ 2,054</td>
</tr>
</tbody>
</table>

4. **Debt and Equity Securities**

Debt and equity securities have been classified in the consolidated balance sheet according to management’s intent. The carrying amount of securities and their approximate fair values at December 31, 2019 and 2018 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Securities Available for Sale</th>
<th>Amortized Cost</th>
<th>Gross Unrealized Gains</th>
<th>Gross Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgage-backed securities and collateralized mortgage obligations</strong></td>
<td><strong>$ 28,864</strong></td>
<td><strong>$ 1</strong></td>
<td><strong>$ 301</strong></td>
<td><strong>$ 28,564</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage-backed securities and collateralized mortgage obligations</td>
<td>$ 63,151</td>
</tr>
</tbody>
</table>

There were no securities pledged to secure public fund deposits or for other purposes required by law at December 31, 2019 and 2018.

Proceeds from the sales of securities classified as available for sale were approximately $24,001,000 and $3,595,000 for the years ended December 31, 2019 and 2018, respectively. Gross gains of approximately $9,000 and $11,000, respectively, were recognized on sales during 2019 and 2018. Gross losses of approximately $40,000 and $10,000, respectively, were recognized on sales during 2019 and 2018.
The amortized cost and estimated fair value of debt securities at December 31, 2019 by contractual maturity are shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<table>
<thead>
<tr>
<th>Securities Available for Sale</th>
<th>Amortized Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due in one year or less</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Due from one year to five years</td>
<td>2,801</td>
<td>2,772</td>
</tr>
<tr>
<td>Due from five years to ten years</td>
<td>12,183</td>
<td>12,018</td>
</tr>
<tr>
<td>Due after ten years</td>
<td>13,880</td>
<td>13,774</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 28,864</strong></td>
<td><strong>$ 28,564</strong></td>
</tr>
</tbody>
</table>

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2019 and 2018, are summarized as follows (in thousands):

<table>
<thead>
<tr>
<th>Securities Available for Sale</th>
<th>Less than 12 Months</th>
<th>12 Months or More</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Unrealized Losses</td>
<td>Fair Value</td>
</tr>
<tr>
<td>December 31, 2019: Mortage-backed securities and collateralized mortgage obligations</td>
<td>$ 4,729</td>
<td>$ 15</td>
<td>$ 22,951</td>
</tr>
<tr>
<td>December 31, 2018: Mortage-backed securities and collateralized mortgage obligations</td>
<td>$ 9,172</td>
<td>$ 124</td>
<td>$ 51,906</td>
</tr>
</tbody>
</table>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (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, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2019, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2019 and 2018, management believes the impairments detailed in the table above are temporary and no impairment loss has been recorded in the Company’s consolidated statement of operations and comprehensive income.
5. Loans and Allowance for Loan Losses

Loans at December 31, 2019 and 2018 consisted of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction, land development, land</td>
<td>$17,934</td>
<td>$27,565</td>
</tr>
<tr>
<td>Farmland</td>
<td>3,040</td>
<td>3,080</td>
</tr>
<tr>
<td>1-4 family residential properties</td>
<td>80,646</td>
<td>77,637</td>
</tr>
<tr>
<td>Multi-family residential</td>
<td>224</td>
<td>236</td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>22,898</td>
<td>22,970</td>
</tr>
<tr>
<td>Nonfarm nonresidential other</td>
<td>17,572</td>
<td>9,642</td>
</tr>
<tr>
<td>Total real estate</td>
<td>142,314</td>
<td>141,130</td>
</tr>
<tr>
<td>Commercial</td>
<td>53,702</td>
<td>48,747</td>
</tr>
<tr>
<td>Agricultural</td>
<td>58</td>
<td>82</td>
</tr>
<tr>
<td>Consumer</td>
<td>14,622</td>
<td>12,684</td>
</tr>
<tr>
<td>Other</td>
<td>1,732</td>
<td>551</td>
</tr>
<tr>
<td></td>
<td>212,428</td>
<td>203,194</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>(3,072)</td>
<td>(2,649)</td>
</tr>
<tr>
<td></td>
<td>$209,356</td>
<td>$200,545</td>
</tr>
</tbody>
</table>

At December 31, 2019 and 2018, the Company had total commercial real estate loans of $58,628,000 and $60,413,000 respectively. Included in these amounts, the Company had construction, land development, and other land loans representing 50% and 80% of total risk based capital at December 31, 2019 and 2018, respectively. The Company had non-owner occupied commercial real estate loans representing 100% and 108% of total risk based capital at December 31, 2019 and 2018, respectively. Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE). Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency regulatory guidance on CRE concentrations describes sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk based capital, or total commercial real estate loans representing 300% or more of the institution’s total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration. At December 31, 2019 and 2018, the Company is within regulatory guidelines with respect to CRE concentrations.

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2019 and 2018, a significant portion of the Company’s loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company’s profitability and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors’ ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.
Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2019 and 2018 is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Provision</th>
<th>Charge offs</th>
<th>Recoveries</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2019:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction, land development, land</td>
<td>$ 309</td>
<td>$ (102)</td>
<td>-</td>
<td>-</td>
<td>$ 207</td>
</tr>
<tr>
<td>Farmland</td>
<td>35</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>1-4 family residential properties</td>
<td>871</td>
<td>84</td>
<td>-</td>
<td>-</td>
<td>955</td>
</tr>
<tr>
<td>Multi-family residential</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>258</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>270</td>
</tr>
<tr>
<td>Nonfarm nonresidential other</td>
<td>108</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>208</td>
</tr>
<tr>
<td>Total real estate</td>
<td>1,584</td>
<td>95</td>
<td>-</td>
<td>-</td>
<td>1,679</td>
</tr>
<tr>
<td>Commercial</td>
<td>806</td>
<td>657</td>
<td>(436)</td>
<td>2</td>
<td>1,029</td>
</tr>
<tr>
<td>Agricultural</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Consumer</td>
<td>228</td>
<td>161</td>
<td>(96)</td>
<td>8</td>
<td>301</td>
</tr>
<tr>
<td>Other</td>
<td>20</td>
<td>41</td>
<td>(15)</td>
<td>6</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>$ 2,649</td>
<td>$ 954</td>
<td>$ (547)</td>
<td>$ 16</td>
<td>$ 3,072</td>
</tr>
<tr>
<td><strong>December 31, 2018:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction, land development, land</td>
<td>$ 317</td>
<td>$ (8)</td>
<td>-</td>
<td>-</td>
<td>$ 309</td>
</tr>
<tr>
<td>Farmland</td>
<td>25</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>35</td>
</tr>
<tr>
<td>1-4 family residential properties</td>
<td>700</td>
<td>171</td>
<td>-</td>
<td>-</td>
<td>871</td>
</tr>
<tr>
<td>Multi-family residential</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>174</td>
<td>84</td>
<td>-</td>
<td>-</td>
<td>258</td>
</tr>
<tr>
<td>Nonfarm nonresidential other</td>
<td>88</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>108</td>
</tr>
<tr>
<td>Total real estate</td>
<td>1,307</td>
<td>277</td>
<td>-</td>
<td>-</td>
<td>1,584</td>
</tr>
<tr>
<td>Commercial</td>
<td>536</td>
<td>415</td>
<td>(147)</td>
<td>2</td>
<td>806</td>
</tr>
<tr>
<td>Agricultural</td>
<td>2</td>
<td>(1)</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Consumer</td>
<td>195</td>
<td>103</td>
<td>(107)</td>
<td>37</td>
<td>228</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>76</td>
<td>(58)</td>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>$ 2,050</td>
<td>$ 870</td>
<td>$ (312)</td>
<td>$ 41</td>
<td>$ 2,649</td>
</tr>
</tbody>
</table>
The Company’s individual ALLL allocations are established for probable losses on specific loans. The Company’s general ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics adjusted for economic conditions and other qualitative risk factors both internal and external to the Company. Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2019 and 2018 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Loan Evaluation</th>
<th>Individually</th>
<th>General</th>
<th>Total loans</th>
<th>Individually</th>
<th>Historical</th>
<th>Other</th>
<th>Total ALLL</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction, land development, land</td>
<td>$ 483</td>
<td>$ 17,451</td>
<td>$ 17,934</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 207</td>
<td>$ 207</td>
</tr>
<tr>
<td>Farmland</td>
<td>-</td>
<td>3,040</td>
<td>3,040</td>
<td>-</td>
<td>-</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>1-4 family residential properties</td>
<td>-</td>
<td>80,646</td>
<td>80,646</td>
<td>-</td>
<td>-</td>
<td>955</td>
<td>955</td>
</tr>
<tr>
<td>Multi-family residential</td>
<td>-</td>
<td>224</td>
<td>224</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>41</td>
<td>22,857</td>
<td>22,898</td>
<td>-</td>
<td>-</td>
<td>270</td>
<td>270</td>
</tr>
<tr>
<td>Nonfarm nonresidential other</td>
<td>-</td>
<td>17,672</td>
<td>17,672</td>
<td>-</td>
<td>-</td>
<td>208</td>
<td>208</td>
</tr>
<tr>
<td>Total real estate</td>
<td>524</td>
<td>141,790</td>
<td>142,314</td>
<td>-</td>
<td>-</td>
<td>1,679</td>
<td>1,679</td>
</tr>
<tr>
<td>Commercial</td>
<td>199</td>
<td>53,503</td>
<td>53,702</td>
<td>101</td>
<td>295</td>
<td>633</td>
<td>1,029</td>
</tr>
<tr>
<td>Agricultural</td>
<td>-</td>
<td>58</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Consumer</td>
<td>55</td>
<td>14,567</td>
<td>14,622</td>
<td>38</td>
<td>91</td>
<td>172</td>
<td>301</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>1,732</td>
<td>1,732</td>
<td>-</td>
<td>42</td>
<td>20</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 778</strong></td>
<td><strong>$ 211,650</strong></td>
<td><strong>$ 212,428</strong></td>
<td><strong>$ 139</strong></td>
<td><strong>$ 428</strong></td>
<td><strong>$ 2,505</strong></td>
<td><strong>$ 3,072</strong></td>
</tr>
</tbody>
</table>

December 31, 2018:

| Real estate:     |             |         |             |             |            |       |           |
| Construction, land development, land | $ -     | $ 27,565 | $ 27,565 | $ - | $ - | $ 309   | $ 309   |
| Farmland         | -           | 3,080   | 3,080       | -           | -         | 35    | 35        |
| 1-4 family residential properties | -         | 77,637  | 77,637      | -           | -         | 871   | 871       |
| Multi-family residential | -         | 236     | 236         | -           | -         | 3     | 3         |
| Nonfarm nonresidential owner occupied | -         | 22,970  | 22,970      | -           | -         | 258   | 258       |
| Nonfarm nonresidential other | -         | 9,642   | 9,642       | -           | -         | 108   | 108       |
| Total real estate | -         | 141,130 | 141,130     | -           | -         | 1,584 | 1,584     |
| Commercial       | 111         | 48,636  | 48,747      | 111         | 150       | 545   | 806       |
| Agricultural     | -           | 82      | 82          | -           | -         | 1     | 1         |
| Consumer         | 84          | 12,600  | 12,684      | 27          | 59        | 142   | 228       |
| Other            | -           | 551     | 551         | -           | 24        | 6     | 30        |
| **Total**        | **$ 195**   | **$ 202,999** | **$ 203,194** | **$ 138** | **$ 233** | **$ 2,278** | **$ 2,649** |

- 16 -
Impaired Loans

Impaired loans include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. Average impaired loans during 2019 and 2018 were approximately $667,000 and $231,000, respectively. No significant interest income was recognized on impaired loans during 2019 and 2018. The following is a summary of information pertaining to impaired loans at December 31, 2019 and 2018 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Unpaid Principal Balance</th>
<th>Unpaid Related Allowance</th>
<th>Recorded Investment Allowance</th>
<th>November 30, 2019</th>
<th>Unpaid Related Allowance</th>
<th>Recorded Investment Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction, land development, land</td>
<td>$483</td>
<td>$483</td>
<td>-</td>
<td>$483</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>41</td>
<td>41</td>
<td>-</td>
<td>41</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>200</td>
<td>80</td>
<td>119</td>
<td>199</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>Consumer</td>
<td>56</td>
<td>5</td>
<td>50</td>
<td>55</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$780</strong></td>
<td><strong>$609</strong></td>
<td><strong>$169</strong></td>
<td><strong>$778</strong></td>
<td><strong>$139</strong></td>
<td></td>
</tr>
</tbody>
</table>

December 31, 2018:

<table>
<thead>
<tr>
<th></th>
<th>Unpaid Principal Balance</th>
<th>Unpaid Related Allowance</th>
<th>Recorded Investment Allowance</th>
<th>November 30, 2018</th>
<th>Unpaid Related Allowance</th>
<th>Recorded Investment Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>$111</td>
<td>$ -</td>
<td>$111</td>
<td>$111</td>
<td>$111</td>
<td></td>
</tr>
<tr>
<td>Consumer</td>
<td>123</td>
<td>45</td>
<td>39</td>
<td>84</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$234</strong></td>
<td><strong>$45</strong></td>
<td><strong>$150</strong></td>
<td><strong>$195</strong></td>
<td><strong>$138</strong></td>
<td></td>
</tr>
</tbody>
</table>

Past Due Loans

The following is a summary of past due and nonaccrual loans at December 31, 2019 and 2018 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>30-89 Days</th>
<th>Past Due 90 Days or More</th>
<th>Total Past Due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Past Due</td>
<td>Still Accruing</td>
<td>Nonaccrual</td>
</tr>
<tr>
<td>December 31, 2019:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction, land development, land</td>
<td>$217</td>
<td>$ -</td>
<td>$483</td>
</tr>
<tr>
<td>1-4 family residential properties</td>
<td>2,157</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>-</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Commercial</td>
<td>11</td>
<td>-</td>
<td>199</td>
</tr>
<tr>
<td>Consumer</td>
<td>133</td>
<td>-</td>
<td>40</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,534</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$763</strong></td>
</tr>
</tbody>
</table>

December 31, 2018:

<table>
<thead>
<tr>
<th></th>
<th>30-89 Days</th>
<th>Past Due 90 Days or More</th>
<th>Total Past Due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Past Due</td>
<td>Still Accruing</td>
<td>Nonaccrual</td>
</tr>
<tr>
<td>1-4 family residential properties</td>
<td>$807</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>199</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commercial</td>
<td>-</td>
<td>-</td>
<td>111</td>
</tr>
<tr>
<td>Consumer</td>
<td>65</td>
<td>-</td>
<td>73</td>
</tr>
<tr>
<td>Other</td>
<td>35</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,106</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$184</strong></td>
</tr>
</tbody>
</table>

Approximately $36,000 and $11,000 of additional interest would have been recognized if the impaired loans on nonaccrual had been on accrual status during 2019 and 2018, respectively.
**Troubled Debt Restructurings**

At December 31, 2019 and 2018, the Company had no significant loans which had been restructured as TDRs. The Company is not committed to lend additional funds to debtors whose loans have been modified.

**Credit Quality Information**

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. The Company uses the following definitions for risk ratings:

**Pass**

Loans classified as pass are loans with low to average risk.

**Special Mention**

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

**Substandard**

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

**Doubtful**

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
As of December 31, 2019 and 2018, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Pass</th>
<th>Mention</th>
<th>Substandard</th>
<th>Doubtful</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2019:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction, land development, land</td>
<td>$17,451</td>
<td>$ -</td>
<td>$ 483</td>
<td>$ -</td>
<td>$17,934</td>
</tr>
<tr>
<td>Farmland</td>
<td>3,040</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,040</td>
</tr>
<tr>
<td>1-4 family residential properties</td>
<td>80,646</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>80,646</td>
</tr>
<tr>
<td>Multi-family residential</td>
<td>224</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>224</td>
</tr>
<tr>
<td>Nonfarm nonresidential owner occupied</td>
<td>22,124</td>
<td>187</td>
<td>546</td>
<td>41</td>
<td>22,898</td>
</tr>
<tr>
<td>Nonfarm nonresidential other</td>
<td>17,872</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17,872</td>
</tr>
<tr>
<td><strong>Total real estate</strong></td>
<td>141,057</td>
<td>187</td>
<td>1,029</td>
<td>41</td>
<td>142,314</td>
</tr>
<tr>
<td>Commercial</td>
<td>51,228</td>
<td>474</td>
<td>1,920</td>
<td>80</td>
<td>53,702</td>
</tr>
<tr>
<td>Agricultural</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58</td>
</tr>
<tr>
<td>Consumer</td>
<td>14,335</td>
<td>92</td>
<td>184</td>
<td>11</td>
<td>14,622</td>
</tr>
<tr>
<td>Other</td>
<td>1,732</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,732</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$208,410</td>
<td>$ 753</td>
<td>$3,133</td>
<td>$132</td>
<td>$212,428</td>
</tr>
</tbody>
</table>

| **December 31, 2018:** |      |         |             |          |        |
| Real estate:         |      |         |             |          |        |
| Construction, land development, land | $27,565 | $ - | $ - | $ - | $27,565 |
| Farmland             | 3,080 | -       | -           | -        | 3,080  |
| 1-4 family residential properties | 76,825 | 812 | - | - | 77,637 |
| Multi-family residential | 236   | -       | -           | -        | 236    |
| Nonfarm nonresidential owner occupied | 22,208 | 199 | 563 | - | 22,970 |
| Nonfarm nonresidential other | 9,642  | -     | -          | -        | 9,642  |
| **Total real estate** | 139,556 | 1,011 | 563 | - | 141,130 |
| Commercial           | 48,188 | 71     | 488         | -        | 48,747 |
| Agricultural         | 82    | -     | -           | -        | 82     |
| Consumer             | 12,321 | 52   | 266 | 45 | 12,684 |
| Other                | 551   | -     | -          | -        | 551    |
| **Total**            | $200,698 | $ 1,134 | $1,317 | $45 | $203,194 |
6.  **Bank Premises and Equipment**

Bank premises and equipment at December 31, 2019 and 2018 consisted of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$2,618</td>
<td>$1,118</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>6,243</td>
<td>3,995</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>-</td>
<td>3,561</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>3,122</td>
<td>2,113</td>
</tr>
<tr>
<td></td>
<td>11,983</td>
<td>10,787</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(3,925)</td>
<td>(3,604)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,058</strong></td>
<td><strong>$7,183</strong></td>
</tr>
</tbody>
</table>

7.  **Deposits**

Deposits at December 31, 2019 and 2018 are summarized as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noninterest bearing demand accounts</td>
<td>$89,940</td>
<td>$87,337</td>
</tr>
<tr>
<td>Interest bearing accounts</td>
<td>85,695</td>
<td>76,099</td>
</tr>
<tr>
<td>Savings accounts</td>
<td>19,047</td>
<td>18,825</td>
</tr>
<tr>
<td>Certificates of deposit, $250,000 or less</td>
<td>26,485</td>
<td>25,287</td>
</tr>
<tr>
<td>Certificates of deposit, greater than $250,000</td>
<td>40,443</td>
<td>22,206</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$261,610</strong></td>
<td><strong>$229,754</strong></td>
</tr>
</tbody>
</table>

At December 31, 2019 and 2018, deposits of approximately $49,760,000 and $46,273,000, respectively, were related to three customers which represented approximately 19% and 20% of total deposits.

There were no brokered deposits at December 31, 2019 and 2018.

At December 31, 2019, scheduled maturities of certificates of deposit accounts are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$55,858</td>
</tr>
<tr>
<td>One to three years</td>
<td>8,658</td>
</tr>
<tr>
<td>Over three years</td>
<td>2,412</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$66,928</strong></td>
</tr>
</tbody>
</table>
8. Other Borrowings

Federal Home Loan Bank

Included in other borrowings at December 31, 2018 is an advance from the Federal Home Loan Bank (FHLB) in the amount of $20,000,000. Advances from the FHLB require the Bank to maintain a certain level of qualified loans if used as collateral in relation to the amount of any outstanding advances. At December 31, 2018, the advance bore interest at a rate of 2.44% and matured in June 2019. There were no outstanding advances at December 31, 2019.

At December 31, 2019, the amount available to the Bank under this credit facility, upon purchase of additional stock, was approximately $31,471,000.

Securities Sold Under Agreements to Repurchase

At December 31, 2019 and 2018, the Company had no borrowings incurred in connection with securities sold under agreements to repurchase. During the years ended December 31, 2019 and 2018, the Company had borrowings incurred in connection with securities sold under agreements to repurchase. Additional information concerning such borrowings during the years ended December 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 30</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Average balance during the year</td>
<td>201</td>
<td>188</td>
</tr>
<tr>
<td>Maximum balance during the year</td>
<td>73,526</td>
<td>68,624</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>2.28%</td>
<td>2.53%</td>
</tr>
</tbody>
</table>

Other

Additionally, the Company has unused federal funds lines available from commercial banks of approximately $26,796,000 at both December 31, 2019 and 2018.

9. Employee Benefits

The Company has a retirement savings 401(k) plan (Plan) covering substantially all employees. Under the Plan, the Company may contribute, at their discretion, up to 15% of eligible employee’s compensation. The Plan provides that employees may elect to defer an unlimited amount of eligible earnings up to a maximum of $19,000 and $18,500, for 2019 and 2018, respectively. The Company matched 50% of employee contributions during 2019 and 2018; contributing approximately $162,000 and $139,000, respectively. Any excess contributions by the Company over the matching portion are prorated to the participants in the Plan.

10. Commitments and Contingencies

From time to time the Company is involved in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial position or results of operations of the Company.

The Company does not anticipate any material losses as a result of commitments and contingent liabilities.
11. Financial Instruments

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

The Company’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. At December 31, 2019 and 2018, the approximate amounts of these financial instruments were as follows (in thousands):

<table>
<thead>
<tr>
<th>Financial instruments whose contract amounts represent credit risk:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments to extend credit</td>
<td>$40,464</td>
<td>$36,432</td>
</tr>
<tr>
<td>Standby letters of credit</td>
<td>96</td>
<td>132</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$40,560</strong></td>
<td><strong>$36,564</strong></td>
</tr>
</tbody>
</table>

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company’s policy for obtaining collateral and the nature of such collateral is essentially the same as that involved in making commitments to extend credit.

Although the maximum exposure to loss is the amount of such commitments, management currently anticipates no material losses from such activities.

12. Significant Group Concentrations of Credit Risk

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

The contractual amounts of credit related financial instruments such as commitments to extend credit and letters of credit, represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless.

At December 31, 2019 and 2018, the Company has a concentration of funds on deposit in excess of federally insured limits at certain correspondent banks. The nature of the Company’s business requires that it maintain amounts at due from banks which, at times, may exceed federally insured limits. The Company closely monitors the financial condition of their correspondent banks and has not experienced any losses from such accounts.

13. Related Party Transactions

In the ordinary course of business, the Company has and expects to continue to have transactions, including borrowings, with its officers, directors and their affiliates. In the opinion of management, such transactions are on the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unaffiliated persons. At December 31, 2019 and 2018, the aggregate amount of such loans was $4,143,000 and $4,788,000, respectively. During 2019, approximately $200,000 of new loans were made and net repayments on loans totaled approximately $845,000. The Company had unfunded commitments to related parties of approximately $4,351,000 and $2,799,000 at December 31, 2019 and 2018, respectively.
14. **Fair Value Disclosures**

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- **Level 1 Inputs** - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- **Level 2 Inputs** - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- **Level 3 Inputs** - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity’s own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company’s creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</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></td>
<td></td>
</tr>
<tr>
<td>Available for sale securities (1)</td>
<td>$</td>
<td>-</td>
<td>$28,564</td>
</tr>
<tr>
<td>December 31, 2018:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available for sale securities (1)</td>
<td>$</td>
<td>-</td>
<td>$61,078</td>
</tr>
</tbody>
</table>

(1) Securities are measured at fair value on a recurring basis, generally monthly.
Certain financial and non-financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following table summarizes financial assets and non-financial assets, measured at fair value on a non-recurring basis as of December 31, 2019 and 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total Fair</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets - impaired loans</td>
<td>$</td>
<td></td>
<td>$ 639</td>
<td>$ 639</td>
</tr>
<tr>
<td>December 31, 2018:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets - impaired loans</td>
<td>$</td>
<td></td>
<td>$ 57</td>
<td>$ 57</td>
</tr>
</tbody>
</table>

During the years ended December 31, 2019 and 2018, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. For the year ended December 31, 2019 and 2018, impaired loans with a carrying value of $778,000 and $195,000 were reduced by specific valuation allowance allocations totaling $139,000 and $138,000 to a total reported fair value of $639,000 and $57,000, based on collateral valuations utilizing Level 3 valuation inputs at December 31, 2019 and 2018, respectively.

Foreclosed assets are valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third-party appraisals, less estimated costs to sell. Appraisals based upon comparable sales result in a Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above. During the years ended December 31, 2019 and 2018, there were no acquisitions or write-downs of other real estate owned.
15. **Stockholders' Equity and Regulatory Matters**

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision’s capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in on January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2019 and 2018, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2019, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank’s category.

Additionally, Basel III added a 2.5% “capital conservation buffer” which was designed for banking institutions to absorb losses during periods of economic stress. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and was phased in over a four-year period (increased by 0.625% on each subsequent January 1, until it reached 2.5% on January 1, 2019). Banking institutions with capital ratios below the minimum for capital adequacy purposes plus the capital conservation buffer may face constraints on dividends, equity repurchases and executive compensation relative to the amount of the shortfall.

Actual and required capital amounts and ratios at December 31, 2019 and 2018 are presented below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital to risk weighted assets</td>
<td>$ 35,524</td>
<td>18.778%</td>
<td>$ 15,135</td>
<td>8.00%</td>
<td>$19,884</td>
</tr>
<tr>
<td>Tier 1 (core) capital to risk weighted assets</td>
<td>33,150</td>
<td>17.523%</td>
<td>11,351</td>
<td>6.00%</td>
<td>16,081</td>
</tr>
<tr>
<td>Common Tier 1 (CET1)</td>
<td>33,150</td>
<td>17.523%</td>
<td>8,513</td>
<td>4.50%</td>
<td>13,243</td>
</tr>
<tr>
<td>Tier 1 (core) capital to average assets</td>
<td>33,150</td>
<td>11.356%</td>
<td>11,676</td>
<td>4.00%</td>
<td>11,676</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital to risk weighted assets</td>
<td>$ 34,552</td>
<td>18.565%</td>
<td>$ 14,889</td>
<td>8.00%</td>
<td>$18,379</td>
</tr>
<tr>
<td>Tier 1 (core) capital to risk weighted assets</td>
<td>32,222</td>
<td>17.313%</td>
<td>11,167</td>
<td>6.00%</td>
<td>14,656</td>
</tr>
<tr>
<td>Common Tier 1 (CET1)</td>
<td>32,222</td>
<td>17.313%</td>
<td>8,375</td>
<td>4.50%</td>
<td>11,865</td>
</tr>
<tr>
<td>Tier 1 (core) capital to average assets</td>
<td>32,222</td>
<td>11.247%</td>
<td>11,460</td>
<td>4.00%</td>
<td>11,460</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report

On Additional Information

The Board of Directors
Horizon Bankshares, Inc. and Subsidiary
Fort Worth, Texas

We have audited the consolidated financial statements of Horizon Bankshares, Inc. and Subsidiary as of and for the year ended December 31, 2019, and have issued our report thereon dated January 22, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 and 28 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Payne & Smith, LLC

January 22, 2020
# Consolidating Balance Sheet

**HORIZON BANKSHARES, INC. AND SUBSIDIARY**

**Consolidating Balance Sheet**

**December 31, 2019**

**(In Thousands)**

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Horizon Bankshares, Inc.</th>
<th>Ft. Worth</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$309</td>
<td>$44,959</td>
<td>$(248) (a)</td>
<td>$45,020</td>
</tr>
<tr>
<td>Interest bearing deposits in other banks</td>
<td>-</td>
<td>2,515</td>
<td>-</td>
<td>2,515</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>-</td>
<td>28,564</td>
<td>-</td>
<td>28,564</td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>32,850</td>
<td>-</td>
<td>$(32,850) (b)</td>
<td>-</td>
</tr>
<tr>
<td>Loans</td>
<td>396</td>
<td>208,960</td>
<td>-</td>
<td>209,356</td>
</tr>
<tr>
<td>Bank premises and equipment</td>
<td>-</td>
<td>8,058</td>
<td>-</td>
<td>8,058</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>-</td>
<td>640</td>
<td>-</td>
<td>640</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>1,862</td>
<td>-</td>
<td>1,862</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$33,555</strong></td>
<td><strong>$295,558</strong></td>
<td><strong>($33,098)</strong></td>
<td><strong>$296,015</strong></td>
</tr>
</tbody>
</table>

## Liabilities and Stockholders' Equity

<table>
<thead>
<tr>
<th>Liability Category</th>
<th>Horizon Bankshares, Inc.</th>
<th>Ft. Worth</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest bearing</td>
<td>-</td>
<td>90,188</td>
<td>$(248) (a)</td>
<td>89,940</td>
</tr>
<tr>
<td>Interest bearing</td>
<td>-</td>
<td>171,670</td>
<td>-</td>
<td>171,670</td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td>-</td>
<td>261,858</td>
<td>$(248)</td>
<td>261,610</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>-</td>
<td>174</td>
<td>-</td>
<td>174</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>676</td>
<td>-</td>
<td>676</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Stockholders’ equity:

<table>
<thead>
<tr>
<th>Stockholders’ equity Category</th>
<th>Horizon Bankshares, Inc.</th>
<th>Ft. Worth</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>124</td>
<td>557</td>
<td>(557) (b)</td>
<td>124</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>17,644</td>
<td>16,127</td>
<td>(16,127) (b)</td>
<td>17,644</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>16,876</td>
<td>16,466</td>
<td>(16,466) (b)</td>
<td>16,876</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(300)</td>
<td>(300)</td>
<td>300 (b)</td>
<td>(300)</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(789)</td>
<td>-</td>
<td>-</td>
<td>(789)</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity</strong></td>
<td><strong>33,555</strong></td>
<td><strong>32,850</strong></td>
<td><strong>(32,850)</strong></td>
<td><strong>33,555</strong></td>
</tr>
</tbody>
</table>

**$33,555 $295,558 $(33,098) $296,015**

See description of consolidating entries on page 29 and accompanying independent auditor’s report on additional information.
HORIZON BANKSHARES, INC. AND SUBSIDIARY

Consolidating Statement of Income and Comprehensive Income

For the Year Ended December 31, 2019

(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Horizon Bankshares, Inc.</th>
<th>Ft. Worth</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and fees on loans</td>
<td>$ 5</td>
<td>$ 11,340</td>
<td>$ -</td>
<td>$ 11,345</td>
</tr>
<tr>
<td>Interest on securities</td>
<td>-</td>
<td>838</td>
<td>-</td>
<td>838</td>
</tr>
<tr>
<td>Interest on interest bearing deposits</td>
<td>8</td>
<td>439</td>
<td>-</td>
<td>447</td>
</tr>
<tr>
<td>in other banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>93</td>
<td>-</td>
<td>93</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td></td>
<td>13</td>
<td></td>
<td>12,723</td>
</tr>
<tr>
<td><strong>Interest expense:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on deposit accounts</td>
<td>-</td>
<td>1,860</td>
<td>-</td>
<td>1,860</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>213</td>
<td>-</td>
<td>213</td>
</tr>
<tr>
<td><strong>Total interest expense</strong></td>
<td></td>
<td>-</td>
<td></td>
<td>2,073</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td></td>
<td>13</td>
<td>-</td>
<td>10,650</td>
</tr>
<tr>
<td><strong>Provision for loan losses</strong></td>
<td>-</td>
<td>954</td>
<td>-</td>
<td>954</td>
</tr>
<tr>
<td><strong>Net interest income after provision for loan losses</strong></td>
<td>13</td>
<td>9,683</td>
<td>-</td>
<td>9,696</td>
</tr>
<tr>
<td><strong>Noninterest income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service charges and fees</td>
<td>-</td>
<td>1,031</td>
<td>-</td>
<td>1,031</td>
</tr>
<tr>
<td>Dividend income</td>
<td>758</td>
<td>-</td>
<td>(758) (c)</td>
<td>-</td>
</tr>
<tr>
<td>Equity in undistributed earnings of subsidiary</td>
<td>928</td>
<td>-</td>
<td>(928) (d)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>826</td>
<td>-</td>
<td>826</td>
</tr>
<tr>
<td><strong>Total noninterest income</strong></td>
<td></td>
<td>1,686</td>
<td>(1,686)</td>
<td>1,857</td>
</tr>
<tr>
<td><strong>Noninterest expense:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>-</td>
<td>5,929</td>
<td>-</td>
<td>5,929</td>
</tr>
<tr>
<td>Occupancy</td>
<td>-</td>
<td>1,363</td>
<td>-</td>
<td>1,363</td>
</tr>
<tr>
<td>Net loss on sale of securities</td>
<td>available for sale</td>
<td>-</td>
<td>31</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>40</td>
<td>2,531</td>
<td>-</td>
<td>2,571</td>
</tr>
<tr>
<td><strong>Total noninterest expense</strong></td>
<td></td>
<td>40</td>
<td>9,854</td>
<td>9,894</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1,659</td>
<td>1,686</td>
<td>(1,686)</td>
<td>1,659</td>
</tr>
<tr>
<td><strong>Other comprehensive income on securities available for sale:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net unrealized loss during the period</td>
<td>1,742</td>
<td>1,742</td>
<td>(1,742) (e)</td>
<td>1,742</td>
</tr>
<tr>
<td>Reclassification adjustment for net losses included in net income</td>
<td>31</td>
<td>31</td>
<td>(31) (e)</td>
<td>31</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>1,773</td>
<td>1,773</td>
<td>(1,773)</td>
<td>1,773</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>$ 3,432</td>
<td>$ 3,459</td>
<td>$ (3,459)</td>
<td>$ 3,432</td>
</tr>
</tbody>
</table>

See description of consolidating entries on page 29 and accompanying independent auditor’s report on additional information.
(a) To eliminate intercompany cash and deposits.

(b) To eliminate investment accounts against the stockholder’s equity of the consolidated subsidiary.

(c) To eliminate dividends from subsidiary.

(d) To eliminate equity in undistributed earnings of subsidiary.

(e) To eliminate the changes in other comprehensive income.