Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, Barry J. Haag
Name of the Holding Company Director and Official

Chairman/CEO & Director
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

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

Signature of Holding Company Director and Official

08/12/2021
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
- [x] 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, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

First Texas Bancorp, Inc.
Legal Title of Holding Company

P.O. Box 649
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Georgetown	Texas	78627

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

Person to whom questions about this report should be directed:

Name	Title
Leslie M. Green	Vice President

512-863-2594
Area Code / Phone Number / Extension

512-869-2697
Area Code / FAX Number

lgreen@firsttexasbank.com
E-mail Address

N/A
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes: 0

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 5.50 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 20503.

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City | State | Zip Code

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City | State | Zip Code

Physical Location (if different from mailing address)

REPORT ITEM #1

ANNUAL REPORTS TO SHAREHOLDERS

Financial statements for First Texas Bancorp, Inc. Consolidated and Parent Company Only two-year comparative included with this report.

FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES

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3508 Far West Blvd., Suite 300
Austin, Texas 78731
(512) 346-9623

3609 Williams Dr., Suite 105
Georgetown, Texas 78628
(512) 591-7441

FASKE
L A Y & C O., L. L. P.
CERTIFIED PUBLIC ACCOUNTANTS

Joseph G. Jistel, CPA
Jeffrey L. Miller, CPA
Connie B. Clark, CPA
Augustus B. Crimm, CPA

Partners Emeritus
M. Howard Faske, CPA
Benton E. Ryon, CPA
Richard R. Singhaus, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Texas Bancorp, Inc. (the Company) and subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Auditor's Responsibility - Continued

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Texas Bancorp, Inc. and its subsidiaries as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Funk Long & Co., L.L.P.

Austin, TX
February 1, 2021

FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	$ 12,375,084	$ 14,252,775
Interest-bearing accounts	79,892,015	57,771,740
Total cash and cash equivalents	92,267,099	72,024,515
Bank owned time deposits	36,495,855	-
Investment securities available-for-sale (AFS)	69,611,404	61,875,224
Investment securities held-to-maturity (HTM)	588,539,692	496,141,139
Loans, net	508,643,723	428,938,772
Long-lived asset held for sale	399,891	-
Bank premises and equipment, net	13,671,556	12,669,506
Cash surrender value of life insurance	27,412,677	27,494,446
Other assets	9,680,487	9,085,833
	$ 1,346,722,384	$ 1,108,229,435
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest-bearing deposits	$ 543,919,587	$ 428,708,110
Interest-bearing deposits	639,133,521	527,044,899
Total deposits	1,183,053,108	955,753,009
Accrued expenses and other liabilities	16,376,725	15,556,171
Total liabilities	1,199,429,833	971,309,180
Class A common stock, $1 par value per share, 20,000,000 shares authorized, 672,695 shares issued and outstanding	672,695	672,695
Additional paid-in capital	10,719,038	10,719,038
Retained earnings	138,260,306	129,198,928
Accumulated other comprehensive gain	1,706,809	395,891
Less 26,524 shares common stock in treasury, cost	(4,066,297)	(4,066,297)
Total stockholders' equity	147,292,551	136,920,255
	$ 1,346,722,384	$ 1,108,229,435

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

FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 24,656,103	$ 22,092,546
Interest on investment securities	11,341,676	11,685,035
Interest on interest-bearing accounts	686,298	1,538,287
	36,684,077	35,315,868
INTEREST EXPENSE		
Interest on deposits	962,555	1,303,767
Net interest income	35,721,522	34,012,101
(NEGATIVE) PROVISION FOR LOAN LOSSES	914,500	(113,000)
Net interest income after provision for loan losses	34,807,022	34,125,101
OTHER INCOME		
ATM and debit card income	2,267,245	2,194,004
Service fees	1,512,976	1,701,738
Earnings on cash surrender value	1,031,639	1,040,464
Other	1,022,505	1,213,783
	5,834,365	6,149,989
OTHER EXPENSES		
Salaries	12,110,197	12,791,361
Employee benefits	4,454,888	4,471,586
Occupancy expenses, net	2,439,336	2,500,101
ATM and debit card expenses	1,201,144	1,205,275
Professional fees	554,617	755,360
FDIC and banking assessment	421,295	210,960
Other operating expenses	3,829,699	3,806,669
	25,011,176	25,741,312
Income before Federal income taxes	15,630,211	14,533,778
Federal income taxes	3,014,893	2,904,601
Net income	$ 12,615,318	$ 11,629,177
Per share of common stock (based on average shares outstanding of 646,171 and 648,256)		
Net income	$ 19.52	$ 17.94
Cash dividends declared	$ 5.50	$ 5.00

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

FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET INCOME	$ 12,615,318	$ 11,629,177
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gain on securities available-for-sale		
Unrealized holding gain arising during the period	1,310,918	1,022,755
TOTAL COMPREHENSIVE INCOME	$ 13,926,236	$ 12,651,932

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

FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock Class A	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
BALANCES, DECEMBER 31, 2018	$ 672,695	$ 10,719,038	$ 120,805,799	$ (626,864)	$ (3,023,263)	$ 128,547,405
COMPREHENSIVE INCOME						
Net income	-	-	11,629,177	-	-	11,629,177
Other comprehensive income	-	-	-	1,022,755	-	1,022,755
TOTAL COMPREHENSIVE INCOME						12,651,932
Purchase of treasury stock	-	-	-	-	(1,043,034)	(1,043,034)
Cash dividends declared	-	-	(3,236,048)	-	-	(3,236,048)
BALANCES, DECEMBER 31, 2019	672,695	10,719,038	129,198,928	395,891	(4,066,297)	136,920,255
COMPREHENSIVE INCOME						
Net income	-	-	12,615,318	-	-	12,615,318
Other comprehensive income	-	-	-	1,310,918	-	1,310,918
TOTAL COMPREHENSIVE INCOME						13,926,236
Cash dividends declared	-	-	(3,553,940)	-	-	(3,553,940)
BALANCES, DECEMBER 31, 2020	$ 672,695	$ 10,719,038	$ 138,260,306	$ 1,706,809	$ (4,066,297)	$ 147,292,551

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

FIRST TEXAS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,615,318	$ 11,629,177
Adjustments to reconcile net income to net cash provided by operating activities:		
(Negative) provision for loan losses	914,500	(113,000)
Depreciation and amortization	953,013	834,358
Accretion of discount on investment securities	(217,125)	(498,538)
Amortization of premium on investment securities	607,153	462,444
Deferred income taxes	(320,219)	112,686
Net earnings on life insurance policies	(705,881)	(700,828)
Decrease in prepaid expenses	44,227	24,903
Increase in accrued interest receivable	(698,129)	(345,440)
Increase in accrued expenses	1,027,513	167,385
Decrease in income tax liability	(451,142)	(58,390)
Gain on life insurance benefit	(105,530)	(354,197)
Net loss (gain) on sale and disposal of assets	29,225	(152,242)
Net cash provided by operating activities	13,692,923	11,008,318
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in bank owned time deposits	(36,495,855)	-
Proceeds from maturities and calls of investment securities AFS	18,000,000	14,000,000
Purchase of investment securities AFS	(24,499,556)	(15,775,047)
Proceeds from maturities and calls of investment securities HTM	191,500,000	111,700,000
Purchase of investment securities HTM	(284,753,520)	(100,255,744)
Principal paydowns of investments available-for-sale	349,425	334,049
Principal paydowns of investments held-to-maturity	538,280	493,421
Net increase in loans to customers	(80,619,451)	(46,034,843)
Purchase of bank premises and equipment	(2,402,242)	(1,341,201)
Proceeds from sale of assets	16,707	206,385
Proceeds from life insurance policy	893,181	1,408,660
Net decrease (increase) in other assets	114,991	(663,639)
Net cash used in investing activities	(217,358,040)	(35,927,959)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in total deposits	227,300,099	(12,166,558)
Dividends paid in cash	(3,392,398)	(3,079,791)
Purchase of treasury stock	-	(1,043,034)
Net cash provided by (used in) financing activities	223,907,701	(16,289,383)
Net increase (decrease) in cash and cash equivalents	20,242,584	(41,209,024)
Cash and cash equivalents at beginning of year	72,024,515	113,233,539
Cash and cash equivalents at end of year	$ 92,267,099	$ 72,024,515
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 992,495	$ 1,279,267
Federal income taxes paid	$ 3,748,809	$ 2,904,690
Sale of long-lived asset held for sale financed through loan	$ -	$ 626,860

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Nature of Operations

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

Financial Statement Presentation

The financial statements are prepared in conformity with generally accepted accounting principles. Significant revenues and expenses are recorded on the accrual-basis of accounting. The consolidated financial statements for 2020 and 2019 include the accounts of First Texas Bancorp, Inc., the accounts of its wholly-owned subsidiaries, First Texas Bank, Georgetown, Texas; First Texas Bank, Lampasas, Texas; First Texas Bank, Killeen, Texas; and First Texas Data, Inc., Georgetown, Texas. All significant intercompany balances and transactions are eliminated in preparation of consolidated financial statements. Data processing fees charged by First Texas Data to the Banks in the amount of $2,293,263 and $2,345,344 for the years ended December 31, 2020 and 2019, respectively, have been eliminated in the consolidated statements of income.

Use of Estimates

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

Bank Owned Time Deposits

Bank owned time deposits include certificates of deposit that mature in one through five years and are carried at cost which approximates fair value.

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

Investment Securities

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

Loans and Concentration of Credit

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

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

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

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

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

A troubled debt restructured loan is a loan which the Banks, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Banks 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 date; or a reduction in the principal balance or accrued interest. A troubled debt restructured loan would generally be considered impaired in the year of modification and will be assessed periodically for continued impairment. COVID-19 modifications classified under section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from troubled debt restructured classification.

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

Allowance for Loan Losses

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

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

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

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

Bank Premises and Equipment

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

Cash Surrender Value of Life Insurance

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

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

Other Real Estate Owned

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

Revenue Recognition

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

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

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

Other: Other transactions based charges include late charges, sweep and transfer fees, commercial credit card processing fees and mortgage loan income. Revenue from a contract with a third-party credit card vendor for a ten year commitment for exclusive use and promotion of their credit card brand is recognized when the Banks' performance obligation is completed monthly over the contract terms. Gains and losses from the sale of assets are also included in other income.

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

Income Taxes

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

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and interest-bearing accounts with an original maturity of 90 days or less.

Advertising

Advertising costs are expensed at the time they are incurred.

Recently Issued or Adopted Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting effective for reporting periods beginning after December 15, 2021. This guidance is intended to improve financial reporting about leasing transactions and affects all organizations that lease assets. Management is evaluating the effect the new pronouncement will have on its financial statements.

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

In December 2019, the FASB issued a new accounting pronouncement regarding income taxes effective for reporting periods beginning after December 15, 2021. This guidance simplifies the accounting for income taxes. Management is evaluating the effect the new pronouncement will have on its financial statements and disclosures.

In October 2020, the FASB issued a new accounting pronouncement to make Codification improvements effective for reporting periods beginning after December 15, 2021. This guidance affects a wide variety of presentation and disclosure requirements. Management is evaluating the effect the new pronouncement will have on its financial statements and disclosures.

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

Recently Issued or Adopted Pronouncements (Continued)

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

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

In August 2018, the FASB issued a new accounting pronouncement regarding changes to the disclosure requirements for fair value measurements effective for reporting periods beginning after December 15, 2019. The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. The adoption of this guidance did not change the Company's disclosures.

(2) INVESTMENT SECURITIES:

Securities available-for-sale consist of the following:

December 31, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government agencies	$ 67,201,782	$ 2,170,901	$ 17,266	$ 69,355,417
Mortgage-backed security	249,104	6,883	-	255,987
	$ 67,450,886	$ 2,177,784	$ 17,266	$ 69,611,404

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

(2) INVESTMENT SECURITIES (Continued):

Securities held-to-maturity consist of the following:

December 31, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government agencies	$ 585,953,553	$ 16,299,470	$ 295,976	$ 601,957,047
Mortgage-backed security	2,586,139	25,560	15,770	2,595,929
	$ 588,539,692	$ 16,325,030	$ 311,746	$ 604,552,976

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

Investment securities carried at $18,989,339 and $17,716,349 as of December 31, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The amortized cost and fair value of investment securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The maturities of investment securities at December 31, 2020 were as follows:

	Amortized Cost	Fair Value
Investment securities available-for-sale - U.S. government agencies:		
Due in one year or less	$ 3,998,626	$ 4,042,490
Due after one year through five years	54,203,646	56,324,914
Due after five through ten years	8,999,510	8,988,013
	67,201,782	69,355,417
Investment securities available-for-sale - Mortgage-backed securities:		
Due after five years	249,104	255,987
	$ 67,450,886	$ 69,611,404
Investment securities held-to-maturity - U.S. government agencies:		
Due in one year or less	$ 84,224,576	$ 84,993,438
Due after one year through five years	365,159,056	380,652,320
Due after five through ten years	136,569,921	136,311,289
	585,953,553	601,957,047
Investment securities held-to-maturity - Mortgage-backed securities:		
Due after five years	2,586,139	2,595,929
	$ 588,539,692	$ 604,552,976

(2) INVESTMENT SECURITIES (Continued):

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

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for 12 months and greater	
December 31, 2020	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment securities available-for-sale:				
U.S. government agencies	$ 3,982,733	$ 17,266	$ -	$ -
Investment securities held-to-maturity:				
U.S. government agencies	86,178,597	295,976		
Mortgage-backed security	2,151,898	15,770	-	-
	$ 92,313,228	$ 329,012	$ -	$ -

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for 12 months and greater	
December 31, 2019	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment securities available-for-sale:				
U.S. government agencies	$ 17,690,083	$ 74,347	$ 3,983,513	$ 14,321
Mortgage-backed security	-	-	391,528	5,252
Investment securities held-to-maturity:				
U.S. government agencies	57,708,287	318,679	82,444,414	240,684
	$ 75,398,370	$ 393,026	$ 86,819,455	$ 260,257

The securities in an unrealized loss position at December 31, 2020 and 2019 were temporarily impaired due to the current interest rate environment and not increased credit risk. In estimating other than impaired losses, the Bank considers (i) the length of time and the extent to which the fair value has been less than cost (ii) the financial condition and near term prospects of the issuer, (iii) that the Bank does not intend to sell these securities and (iv) it is more likely than not that the Bank will not be required to sell before a period of time to allow for any anticipated recovery in fair value. As of December 31, 2020 and 2019, the securities in an unrealized loss position consisted of 26 and 67 securities, respectively.

(3) LOANS:

Major classifications of loans are as follows:

	December 31, 2020	December 31, 2019
Real Estate	$ 429,531,730	$ 394,267,843
Commercial	74,743,849	26,622,309
Consumer	8,668,672	10,193,093
	512,944,251	431,083,245
Allowance for loan losses	(2,527,662)	(1,669,759)
Unearned loan fees	(1,807,842)	(539,008)
Overdrafts	34,976	64,294
Loans, net	$ 508,643,723	$ 428,938,772

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families, and affiliated companies in which they are principal stockholders (commonly referred to as related parties) on similar terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. These persons and firms were indebted to the Company for loans totaling $1,203,956 and $1,340,135 at December 31, 2020 and 2019, respectively.

An analysis of the allowance for loan losses for the year ended December 31, 2020 is as follows:

	Real Estate	Commercial	Consumer	Total
Allowance for loan losses:				
Balance, beginning of year	$ 1,329,425	$ 314,233	$ 26,101	$ 1,669,759
Losses charged to allowance	-	(27,896)	(58,864)	(86,760)
Recoveries credited to allowance	-	19,988	10,175	30,163
Provision charged to operating expense	- 525,550	- 338,160	- 50,790	- 914,500
Balance, end of year	$ 1,854,975	$ 644,485	$ 28,202	$ 2,527,662
Individually evaluated for impairment	$ -	$ 516,186	$ 3,271	$ 519,457
Collectively evaluated for impairment	$ 1,854,975	$ 128,299	$ 24,931	$ 2,008,205
Loans:				
Balance, end of year	$ 429,531,730	$ 74,743,849	$ 8,668,672	$ 512,944,251
Individually evaluated for impairment	$ -	$ 564,597	$ 9,751	$ 574,348
Collectively evaluated for impairment	$ 429,531,730	$ 74,179,252	$ 8,658,921	$ 512,369,903

(3) LOANS (Continued):

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

	Real Estate	Commercial	Consumer	Total
Allowance for loan losses:				
Balance, beginning of year	$ 1,132,822	$ 376,462	$ 21,578	$ 1,530,862
Losses charged to allowance	-	(1,449)	(54,945)	(56,394)
Recoveries credited to allowance	-	296,523	11,768	308,291
Provision charged (credited) to operating expense	196,603	(357,303)	47,700	(113,000)
Balance, end of year	$ 1,329,425	$ 314,233	$ 26,101	$ 1,669,759
Individually evaluated for impairment	$ -	$ 178,331	$ 5,745	$ 184,076
Collectively evaluated for impairment	$ 1,329,425	$ 135,902	$ 20,356	$ 1,485,683
Loans:				
Balance, end of year	$ 394,267,843	$ 26,622,309	$ 10,193,093	$ 431,083,245
Individually evaluated for impairment	$ -	$ 228,610	$ 5,745	$ 234,355
Collectively evaluated for impairment	$ 394,267,843	$ 26,393,699	$ 10,187,348	$ 430,848,890

(3) LOANS (Continued):

Impaired loans for the year ended December 31, 2020 are as follows:

	Real Estate	Commercial	Consumer	Total
Loans without a specific valuation allowance:				
Recorded balance	$ 10,075,882	$ 383,054	$ 510,468	$ 10,969,404
Unpaid principal balance	$ 10,075,882	$ 383,054	$ 510,468	$ 10,969,404
Specific allowance	$ -	$ -	$ -	$ -
Average investment in impaired loans	$ 11,008,998	$ 804,516	$ 468,610	$ 12,282,124
Interest income recognized	$ 473,577	$ 50,093	$ 26,424	$ 550,094
Loans with a specific valuation allowance:				
Recorded balance	$ -	$ 564,597	$ 9,751	$ 574,348
Unpaid principal balance	$ -	$ 564,597	$ 9,751	$ 574,348
Specific allowance	$ -	$ 516,186	$ 3,271	$ 519,457
Average investment in impaired loans	$ 707,853	$ 296,345	$ 12,534	$ 1,016,732
Interest income recognized	$ 62,130	$ 4,291	$ 853	$ 67,274

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

	Real Estate	Commercial	Consumer	Total
Loans without a specific valuation allowance:				
Recorded balance	$ 7,089,673	$ 656,222	$ 16,339	$ 7,762,234
Unpaid principal balance	$ 7,089,673	$ 656,222	$ 16,339	$ 7,762,234
Specific allowance	$ -	$ -	$ -	$ -
Average investment in impaired loans	$ 8,918,628	$ 554,120	$ 25,197	$ 9,497,945
Interest income recognized	$ 472,867	$ 30,781	$ 1,457	$ 505,105
Loans with a specific valuation allowance:				
Recorded balance	$ -	$ 228,610	$ 5,745	$ 234,355
Unpaid principal balance	$ -	$ 228,610	$ 5,745	$ 234,355
Specific allowance	$ -	$ 178,331	$ 5,745	$ 184,076
Average investment in impaired loans	$ -	$ 227,179	$ 1,436	$ 228,615
Interest income recognized	$ -	$ 5,857	$ 55	$ 5,912

(3) LOANS (Continued):

A loan portfolio aging analysis as of December 31, 2020 is as follows:

	Real Estate	Commercial	Consumer	Total
30-59 days past due	$ 459,405	$ 17,413	$ 1,378	$ 478,196
60-89 days past due	4,534	-	-	4,534
Greater than 90 days	-	-	-	-
Total past due	463,939	17,413	1,378	482,730
Current	429,067,791	74,726,436	8,667,294	512,461,521
Total loans receivable	$ 429,531,730	$ 74,743,849	$ 8,668,672	$ 512,944,251
Total loans greater than 90 days and accruing interest	$ -	$ -	$ -	$ -
Total loans on nonaccrual status	$ 74,817	$ 122,420	$ -	$ 197,237

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

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

(3) LOANS (Continued):

The Banks categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit deterioration, public information, and current economic trends, among other factors. The Banks analyze loans individually by classifying the loans as to credit risk. The Banks use the following definitions for risk ratings:

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

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

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

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

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

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

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

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

December 31, 2020	Real Estate	Commercial	Consumer	Total
Pass	$ 419,539,841	$ 73,829,271	$ 8,148,950	$ 501,518,062
Special mention	249,634	11,493	15,514	276,641
Substandard	9,667,438	780,665	504,208	10,952,311
Nonaccrual	74,817	122,420	-	197,237
Loss	-	-	-	-
Total loans receivable	$ 429,531,730	$ 74,743,849	$ 8,668,672	$ 512,944,251

(3) LOANS (Continued):

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

December 31, 2019	Real Estate	Commercial	Consumer	Total
Pass	$ 387,178,170	$ 25,737,477	$ 10,171,009	$ 423,086,656
Special mention	241,375	64,352	-	305,727
Substandard	6,791,309	673,960	20,559	7,485,828
Nonaccrual	56,989	146,520	-	203,509
Loss	-	-	1,525	1,525
Total loans receivable	$ 394,267,843	$ 26,622,309	$ 10,193,093	$ 431,083,245

As of December 31, 2020 and 2019, the Banks have a recorded investment in troubled debt restructurings of $4,222,005 and $1,562,226, respectively. The Banks have allocated $454,690 and $146,520 of specific allowance for those loans at December 31, 2020 and 2019, respectively. There are no commitments to lend additional funds to the borrowers.

The modifications of the terms of such loans performed during the years ended December 31, 2020 and 2019 included an extension of maturity date, an extension of interest only or principal and interest payments and a restructure to a new loan. Loans under troubled debt restructuring included the following:

December 31, 2020	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Real Estate	5	$ 3,767,315	$ 3,767,315
Commercial	1	330,000	330,000
Consumer	2	124,690	124,690
	8	$ 4,222,005	$ 4,222,005

December 31, 2019	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Real Estate	-	$ -	$ -
Commercial	1	1,415,706	1,415,706
Consumer	1	146,520	146,520
	2	$ 1,562,226	$ 1,562,226

(3) LOANS (Continued):

Additionally, the Banks are working with borrowers impacted by COVID-19 and providing modifications to defer interest only or principal and interest payments. The Banks are following guidance of the Federal Financial Institutions Examination Council (FFIEC) which exempts COVID-19 modifications from being reported and accounted for as troubled debt restructuring. During the year ended December 31, 2020, the Banks modified 145 commercial and consumer loans. As of December 31, 2020, the remaining loans with modifications have an outstanding balance of $55,233,077.

During 2020, the Small Business Administration (SBA) offered the Paycheck Protection Program (PPP) in response to the global pandemic. The SBA program offered unsecured PPP loans with an interest rate of 1% and depending on the origination date a maturity date of two years or five years. Loan payments were deferred for borrowers who apply for forgiveness of the loan from the SBA. If no forgiveness is applied for, payments are deferred for ten months after the end of the covered period. As of December 31, 2020, outstanding PPP loans not yet forgiven by the SBA were $43,599,347 and included within the commercial loan category. Origination fees greater than $1,000 for individual PPP loans were deferred and recognized over the life of the loan or until forgiven by the SBA. As of December 31, 2020, the Banks have deferred PPP origination fees in the amount of $1,110,869 included in net loans on the statements of financial condition. Total fees recognized for the year ended December 31, 2020 were $1,313,166 which are included in interest and fees on loans on the statements of income.

(4) LONG-LIVED ASSET HELD FOR SALE:

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

(5) BANK PREMISES AND EQUIPMENT, NET:

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

	December 31, 2020	December 31, 2019
Buildings and improvements	$ 17,350,135	$ 16,601,804
Furniture and equipment	6,790,666	8,461,402
Land	3,713,877	3,976,149
	27,854,678	29,039,355
Less accumulated depreciation	14,183,122	16,369,849
Bank premises and equipment, net	$ 13,671,556	$ 12,669,506

(6) DEPOSITS:

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

	December 31, 2020	December 31, 2019
Three months or less	$ 6,074,559	$ 4,593,623
Four through twelve months	14,639,552	9,382,230
	$ 20,714,111	$ 13,975,853

Included in interest-bearing deposits as of December 31, 2020, are certificates of deposit and individual retirement accounts maturing in years ending December 31,

2021	$ 80,381,643
2022	1,720,928
2023	19,275
2024	19,253
2025 and thereafter	33,945
	$ 82,175,044

Included in total deposits are public fund deposits of $13,063,346 and $11,527,032 at December 31, 2020 and 2019, respectively.

Also, included in total deposits, are related party deposits of $8,543,374 and $4,851,804 at December 31, 2020 and 2019, respectively.

(7) FEDERAL INCOME TAXES:

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

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current – Federal	$ 3,335,112	$ 2,791,915
Deferred – Federal	(320,219)	112,686
	$ 3,014,893	$ 2,904,601

The provision for Federal income tax differs from that computed by applying the Federal statutory rate of 21% in 2020 and 2019, as indicated in the following analysis:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Tax based on statutory rate	$ 3,284,151	$ 3,052,093
Effect of net earnings on insurance policies	(231,121)	(153,035)
Effect of non-deductible expenses and other miscellaneous	1,633	5,543
Effect of insurance death benefit	(39,770)	-
	$ 3,014,893	$ 2,904,601

(7) FEDERAL INCOME TAXES (Continued):

Deferred tax assets and liabilities included in the statements of financial condition, based on the Federal statutory rate of 21% for 2020 and 2019 consist of the following:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Deferred compensation	$ 2,899,463	$ 2,855,651
Allowance for loan losses	530,809	350,649
Unearned contract income	165,208	-
Unearned loan fees	356,436	110,248
Other	57,516	11,690
	1,109,969	472,587
Less valuation allowance	-	-
	1,109,969	472,587
Deferred tax liabilities:		
Accumulated depreciation	(606,547)	(245,572)
Net unrealized gain on available-for-sale securities	(520,467)	(105,237)
	(1,127,014)	(350,809)
Net deferred tax asset	$ (17,045)	$ 121,778

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

(8) LINE OF CREDIT:

The Banks have unused lines of credit with financial institutions in an aggregate amount of $23,000,000. The unsecured loans of federal funds are available on an overnight basis to the Bank and are to be paid on the day following the loan. These include lines of credit for $18,000,000 that expire on February 20, 2021 and a line of credit for $5,000,000 that can be terminated at any time.

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

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

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

	December 31, 2020	December 31, 2019
Commitments to extend credit	$ 134,932,265	$ 93,959,719
Standby letters of credit	3,051,505	2,931,136
	$ 137,983,770	$ 96,890,855

(10) COMMITMENTS AND CONTINGENCIES:

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

(11) CONCENTRATION OF CREDIT RISK:

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

(12) DEFERRED COMPENSATION ARRANGEMENTS:

The Company has established two non-qualified benefit plans for certain key officers of the Company. These plans are designed to provide substantial retirement and death benefits to these key officers. The Company is accruing a charge which, at the specified retirement age of the key officer, will equal the then present value of the estimated benefits to be paid under the arrangement using a discount rate. The amounts accrued under such arrangements are not deductible by the Company for tax purposes until payments are made to the participants. The amounts accrued are included in employee benefits in the statements of income and totaled $1,958,896 and $1,745,950 in 2020 and 2019, respectively. The amounts paid to participants totaled $1,795,691 and $1,721,422 in 2020 and 2019, respectively. The balance of the accrual for these deferred compensation arrangements is $13,957,205 and $13,877,846 as of December 31, 2020 and 2019, respectively; and is included in accrued expenses on the statements of financial condition.

(13) EMPLOYEE BENEFITS:

The Company has a 401(k) savings plan for all employees who have completed ninety days of service and are twenty-one years of age or more. The Company generally matches employee contributions up to a maximum of four percent of gross wages. The Company's contribution to the plan is included in employee benefits in the statements of income and amounted to $361,469 and $373,590 in 2020 and 2019, respectively.

(14) FAIR VALUE MEASUREMENTS:

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

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

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

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

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

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

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

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

(14) FAIR VALUE MEASUREMENTS (Continued):

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

	Level 1	Level 2	Level 3
December 31, 2020			
Investment securities available-for-sale	$ -	$ 69,611,404	$ -
December 31, 2019			
Investment securities available-for-sale	$ -	$ 61,875,224	$ -

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

	Level 1	Level 2	Level 3
December 31, 2020			
Impaired loans	$ -	$ -	$ 11,024,295
December 31, 2019			
Impaired loans	$ -	$ -	$ 7,812,513

(15) RECLASSIFICATIONS:

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

(16) COVID-19:

In 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Bank, COVID-19 may continue to impact various parts of its 2021 operations and financial results including but not limited to additional loan charge-offs, deferred loan payments, costs for emergency preparedness, and potential shortage of personnel. Management believes the Bank is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

(17) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued, in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events or transactions occurring during this period that required recognition or disclosure.

(18) REGULATORY MATTERS:

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020, the Banks meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations 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. As of December 31, 2020 and 2019, the most recent regulatory notifications categorized the Banks 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 institution's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of the call report filing for March 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but instead a Tier 1 to average assets (leverage) ratio is required. Qualifying banking organizations that elect to use the community bank leverage framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2020, the Banks were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

(18) REGULATORY MATTERS (Continued):

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

As of December 31, 2020		Actual Capital Amount (Dollars in Thousands)	Actual Ratio		Minimum Required to be Considered Well Capitalized under Prompt Corrective Regulations (CBLR Framework) Capital Amount (Dollars in Thousands)	Ratio
Tier 1 (Core) Capital Ratio (to Average Assets)						
First Texas Bank- Georgetown	$	63,469	8.0%	$	63,469	8.0%
First Texas Bank- Killeen	$	33,985	9.4%	$	28,923	8.0%
First Texas Bank- Lampasas	$	16,620	10.0%	$	13,296	8.0%

As of December 31, 2019		Actual Capital Amount (Dollars in Thousands)	Actual Ratio		Minimum Required to be Considered Adequately Capitalized Capital Amount (Dollars in Thousands)	Ratio		Minimum Required to be Considered Well Capitalized Capital Amount (Dollars in Thousands)	Ratio
Common Equity Tier 1 Capital (to Risk-Weighted Assets)									
Consolidated	$	136,525	23.4%	$	26,255	4.5%	$	37,924	6.5%
First Texas Bank- Georgetown	$	58,203	17.3%	$	23,550	4.5%	$	21,868	6.5%
First Texas Bank- Killeen	$	33,382	21.5%	$	10,875	4.5%	$	10,098	6.5%
First Texas Bank- Lampasas	$	16,240	20.3%	$	5,590	4.5%	$	5,190	6.5%
Tier 1 Capital (to Risk-Weighted Assets)									
Consolidated	$	136,525	23.4%	$	35,006	6.0%	$	46,675	8.0%
First Texas Bank- Georgetown	$	58,203	17.3%	$	28,597	6.0%	$	26,915	8.0%
First Texas Bank- Killeen	$	33,382	21.5%	$	13,205	6.0%	$	12,428	8.0%
First Texas Bank- Lampasas	$	16,240	20.3%	$	6,787	6.0%	$	6,388	8.0%
Total Capital (to Risk-Weighted Assets)									
Consolidated	$	138,195	23.7%	$	46,648	8.0%	$	58,310	10.0%
First Texas Bank- Georgetown	$	59,301	17.7%	$	35,179	8.0%	$	33,503	10.0%
First Texas Bank- Killeen	$	33,634	21.7%	$	16,312	8.0%	$	15,536	10.0%
First Texas Bank- Lampasas	$	16,560	20.7%	$	8,384	8.0%	$	7,985	10.0%
Tier 1 Leverage (to Average Assets)									
Consolidated	$	136,525	12.2%	$	44,762	4.0%	$	55,953	5.0%
First Texas Bank- Georgetown	$	58,203	8.8%	$	26,456	4.0%	$	33,070	5.0%
First Texas Bank- Killeen	$	33,382	11.1%	$	12,063	4.0%	$	15,079	5.0%
First Texas Bank- Lampasas	$	16,240	11.6%	$	5,622	4.0%	$	7,027	5.0%

FIRST TEXAS BANCORP, INC.
(Parent Company Only)

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

FIRST TEXAS BANCORP, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of First Texas Bancorp, Inc. (the Company), which comprise the statements of financial condition as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility - Continued

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Texas Bancorp, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial condition of First Texas Bancorp, Inc. and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended (none of which are presented herein), and we expressed an unqualified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of First Texas Bancorp, Inc. and its subsidiaries, and the financial statements of parent company presented herein are not a valid substitute for those consolidated financial statements.

Funk Ling & Co., L.L.P.

Austin, TX
February 1, 2021

FIRST TEXAS BANCORP, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and due from banks	$ 1,108,029	$ 257,881
Interest-bearing accounts	26,604,531	24,512,412
Total cash and cash equivalents	27,712,560	24,770,293
Current Federal income tax receivable	455,362	446,983
Deferred Federal income tax receivable	1,824,276	1,770,235
Other assets	143,025	165,273
Cash surrender value of life insurance	10,192,878	9,932,883
	40,328,101	37,085,667
Note receivable - First Texas Data, Inc.	875,000	900,000
Investment in common stock of:		
First Texas Bank - Georgetown, at equity in underlying net assets	64,410,134	58,374,705
First Texas Bank - Killeen, at equity in underlying net assets	34,477,641	33,489,494
First Texas Bank - Lampasas, at equity in underlying net assets	16,892,265	16,356,328
First Texas Data, Inc., at equity in underlying net assets	20,750	1,000
	115,800,790	108,221,527
Furniture and equipment at cost, net of accumulated depreciation	3,741	6,277
Total assets	$ 157,007,632	$ 146,213,471

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

FIRST TEXAS BANCORP, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2020 AND 2019
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	2020	2019
Accrued expenses	$ 8,745,824	$ 8,485,502
Dividends payable	969,257	807,714
	9,715,081	9,293,216
Stockholders' equity		
Class A common stock, $1 par value per share, 20,000,000 shares authorized, 672,695 shares issued and outstanding	672,695	672,695
Additional paid-in capital	10,719,038	10,719,038
Retained earnings	138,260,306	129,198,928
Accumulated other comprehensive gain of subsidiaries	1,706,809	395,891
Less 26,524 shares common stock in treasury, at cost	(4,066,297)	(4,066,297)
	147,292,551	136,920,255
Total liabilities and stockholders' equity	$ 157,007,632	$ 146,213,471

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

FIRST TEXAS BANCORP, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating income		
Dividends from subsidiaries	$ 8,000,000	$ 9,000,000
Earnings on life insurance policies	359,155	351,038
Interest income	62,119	59,780
Other income	251	359
	8,421,525	9,411,177
Operating expenses		
Salaries	970,595	965,000
Other employee benefits	1,419,273	1,410,320
Office rent	44,760	44,160
Other	149,327	157,230
	2,583,955	2,576,710
Income before income taxes and undistributed subsidiaries income	5,837,570	6,834,467
Tax (benefit) expense from consolidation of operating income with subsidiaries' income	(509,403)	(588,185)
Income before undistributed subsidiaries' income	6,346,973	7,422,652
Undistributed earnings of subsidiaries		
Total earnings for the year		
First Texas Bank, Georgetown	9,115,980	8,466,400
First Texas Bank, Killeen	2,902,391	2,639,390
First Texas Bank, Lampasas	2,230,224	2,100,735
First Texas Data, Inc.	19,750	-
	14,268,345	13,206,525
Less - dividends to parent company	8,000,000	9,000,000
	6,268,345	4,206,525
Net income	$ 12,615,318	$ 11,629,177
Per share of common stock (based on average shares outstanding of 646,171 and 648,256)		
Income before income taxes and undistributed subsidiaries' income	$ 9.03	$ 10.54
Income before undistributed subsidiaries' income	$ 9.82	$ 11.45
Net income	$ 19.52	$ 17.94
Cash dividends declared per share	$ 5.50	$ 5.00

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

FIRST TEXAS BANCORP, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET INCOME	$ 12,615,318	$ 11,629,177
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gain on securities available-for-sale		
Unrealized holding gain arising during the period	1,310,918	1,022,755
TOTAL COMPREHENSIVE INCOME	$ 13,926,236	$ 12,651,932

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

FIRST TEXAS BANCORP, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock Class A	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
BALANCES, DECEMBER 31, 2018	$ 672,695	$ 10,719,038	$ 120,805,799	$ (626,864)	$ (3,023,263)	$ 128,547,405
COMPREHENSIVE INCOME						
Net income	-	-	11,629,177	-	-	11,629,177
Other comprehensive income	-	-	-	1,022,755	-	1,022,755
TOTAL COMPREHENSIVE INCOME						12,651,932
Purchase of treasury stock	-	-	-	-	(1,043,034)	(1,043,034)
Cash dividends declared	-	-	(3,236,048)	-	-	(3,236,048)
BALANCES, DECEMBER 31, 2019	672,695	10,719,038	129,198,928	395,891	(4,066,297)	136,920,255
COMPREHENSIVE INCOME						
Net income	-	-	12,615,318	-	-	12,615,318
Other comprehensive income	-	-	-	1,310,918	-	1,310,918
TOTAL COMPREHENSIVE INCOME						13,926,236
Cash dividends declared	-	-	(3,553,940)	-	-	(3,553,940)
BALANCES, DECEMBER 31, 2020	$ 672,695	$ 10,719,038	$ 138,260,306	$ 1,706,809	$ (4,066,297)	$ 147,292,551

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

FIRST TEXAS BANCORP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$	12,615,318	$	11,629,177
Adjustments to reconcile net income to net cash provided by operating activities:				
Undistributed earnings of subsidiaries		(6,268,345)		(4,206,525)
Depreciation expense		1,181		985
Deferred income tax		(54,041)		(141,201)
Net earnings on life insurance policies		(259,995)		(253,324)
Decrease in income tax receivable		(8,379)		(63,685)
Increase in accrued expenses		260,322		693,990
Net cash provided by operating activities		6,286,061		7,659,417
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from note payable - First Texas Data, Inc.		25,000		-
Purchase of equipment		-		(5,911)
Purchase life insurance policy from subsidiary		-		(547,486)
Increase (decrease) in other assets		23,604		(13,272)
Net cash provided by (used in) investing activities		48,604		(566,669)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends paid in cash		(3,392,398)		(3,079,791)
Purchase of treasury stock		-		(1,043,034)
Net cash used in financing activities		(3,392,398)		(4,122,825)
Net increase in cash and cash equivalents		2,942,267		2,969,923
Cash and cash equivalents at beginning of year		24,770,293		21,800,370
Cash and cash equivalents at end of year	$	27,712,560	$	24,770,293
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Federal income tax benefit received	$	446,983	$	375,404

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

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

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

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and interest-bearing accounts with original maturity of 90 days or less.

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

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

Recently Issued or Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting effective for reporting periods beginning after December 15, 2021. This guidance is intended to improve financial reporting about leasing transactions and affects all organizations that lease assets. Management is evaluating the effect the new pronouncement will have on its financial statements.

In December 2019, the FASB issued a new accounting pronouncement regarding income taxes effective for reporting periods beginning after December 15, 2021. This guidance simplifies the accounting for income taxes. Management is evaluating the effect the new pronouncement will have on its financial statements and disclosures.

In October 2020, the FASB issued a new accounting pronouncement to make Codification improvements effective for reporting periods beginning after December 15, 2021. This guidance affects a wide variety of presentation and disclosure requirements. Management is evaluating the effect the new pronouncement will have on its financial statements and disclosures.

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

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

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

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

(3) FEDERAL INCOME TAXES:

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

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current - Federal	$ (455,362)	$ (446,984)
Deferred - Federal	(54,041)	(141,201)
	$ (509,403)	$ (588,185)

The provision for Federal income taxes differs from that computed by applying the Federal statutory rate of 21% in 2020 and 2019, as indicated in the following analysis:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Effect of tax based on statutory rate	$ 1,225,890	$ 1,435,237
Non-taxable dividends from subsidiaries	(1,680,000)	(1,890,000)
Effect of net earnings on insurance policies	(54,598)	(53,198)
Effect of intercompany transfer of deferred compensation liability	(695)	(80,224)
Tax benefit	$ (509,403)	$ (588,185)

(3) FEDERAL INCOME TAXES (Continued):

Deferred tax assets and liabilities included in the statements of financial condition, based on the Federal statutory rate of 21% for 2020 and 2019, consist of the following:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Deferred compensation	$ 1,825,062	$ 1,771,269
	1,825,062	1,771,269
Less valuation allowance	-	-
	1,825,062	1,771,269
Deferred tax liabilities:		
Accumulated depreciation	(786)	(1,034)
Net deferred tax asset	$ 1,824,276	$ 1,770,235

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

(4) DIVIDENDS FROM SUBSIDIARIES:

Dividends declared from subsidiaries are as follows:

	2020	2019
First Texas Bank, Georgetown	$ 3,850,000	$ 5,250,000
First Texas Bank, Killeen	2,300,000	2,250,000
First Texas Bank, Lampasas	1,850,000	1,500,000
	$ 8,000,000	$ 9,000,000

(5) DEFERRED COMPENSATION ARRANGEMENTS:

The Company has established two non-qualified benefit plans for certain key officers of the Company. These plans are designed to provide substantial retirement and death benefits to these key officers. The Company is accruing a charge which, at the specified retirement age of the key officer, will equal the then present value of the estimated benefits to be paid under the arrangement using a discount rate. The amounts accrued under such arrangements are not deductible by the Company for tax purposes until payments are made to the participants. The amounts accrued are included in employee benefits in the statements of income and totaled $1,241,430 and $1,243,621 in 2020 and 2019, respectively. The amount paid to participants totaled $988,578 and $948,333 in 2020 and 2019, respectively. The balance of the accrual for these deferred compensation arrangements is $8,690,769 and $8,434,610 as of December 31, 2020 and 2019, respectively, and is included in accrued expenses on the statements of financial condition.

(6) EMPLOYEE BENEFITS:

The Company has instituted a 401(k) savings plan for all employees, who have completed ninety days of service and are twenty-one years of age or more. The Company generally matches employee contributions up to a maximum of four percent of gross wages. The Company's contribution to the plan is included in other employee benefits in the statements of income and amounted to $25,420 and $18,432 in 2020 and 2019, respectively.

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

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

	December 31, 2020	December 31, 2019
Commitments to extend credit	$ 134,932,265	$ 93,959,719
Letters of credit	3,051,505	2,931,136
	$ 137,983,770	$ 96,890,855

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

(8) CONCENTRATION OF CREDIT RISK:

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

(9) TRANSACTIONS WITH DIRECTORS, OFFICERS AND STOCKHOLDERS:

The Banks have had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families, and affiliated companies, in which they are principal stockholders (commonly referred to as related parties) on similar terms, including interest rates, and collateral, as those prevailing at the time for comparable transactions with others. These persons and firms were indebted to the Banks on a consolidated basis for loans totaling \$1,203,956 and \$1,340,135 at December 31, 2020 and 2019, respectively. The banks also held related party deposits of \$8,543,374 and \$4,851,804 at December 31, 2020 and 2019, respectively.

(10) COMMITMENTS AND CONTINGENCIES:

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

(11) RECLASSIFICATIONS:

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

(12) COVID-19:

In 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. COVID-19 may continue to impact various parts of the Company's 2021 operations and financial results. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

(13) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued, in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events or transactions occurring during this period that required recognition or disclosure.

Report Item 2a: Organization Chart

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

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

100%
FIRST TEXAS BANK
LAMPASAS, TEXAS
INCORPORATED IN TEXAS
LEI: 254900LQPR8CYPBIJ478

100%
FIRST TEXAS BANK
GEORGETOWN, TEXAS
INCORPORATED IN TEXAS
LEI: 5493005QU87D40E5GZ21

100%
FIRST TEXAS BANK
KILLEEN, TEXAS
INCORPORATED IN TEXAS
LEI: 254900EWUWDU43PY5R60

Report Item 2b: Domestic Branch Listing

Copy attached.

Results: A list of branches for your holding company: FIRST TEXAS BANCORP, INC. (1100813) of GEORGETOWN, TX.
The data are as of 12/31/2020. Data reflects information that was received and processed through 01/05/2021.

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.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date 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.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
Ok		Full Service (Head Office)	444350	FIRST TEXAS BANK	900 SOUTH AUSTIN AVENUE	GEORGETOWN	TX	78626-5822	WILLIAMSON	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Ok		Full Service	2724841	CEDAR PARK BRANCH	1901 BAGDAD ROAD	CEDAR PARK	TX	78613	WILLIAMSON	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Ok		Full Service	2579706	DEL WEBB BRANCH	480 DEL WEBB BOULEVARD	GEORGETOWN	TX	78633	WILLIAMSON	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Ok		Full Service	2493008	WILLIAMS BRANCH	5321 WILLIAMS DRIVE	GEORGETOWN	TX	78633	WILLIAMSON	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Ok		Full Service	3498877	LIBERTY HILL BRANCH	721 HWY 183	LIBERTY HILL	TX	78642	WILLIAMSON	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Ok		Full Service	2802404	PFLUGERVILLE BRANCH	1600 W PECAN ST	PFLUGERVILLE	TX	78660	TRAVIS	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Close	12/29/2020	Full Service	2536099	BRUSHY CREEK BRANCH	7509 O'CONNOR DRIVE	ROUND ROCK	TX	78681	WILLIAMSON	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Ok		Full Service	868068	ROUND ROCK BRANCH	500 E ROUND ROCK AVENUE	ROUND ROCK	TX	78664	WILLIAMSON	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	444350	
Ok		Full Service (Head Office)	688257	FIRST TEXAS BANK	3514 SOUTH W S YOUNG DRIVE	KILLEEN	TX	76542	BELL	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	688257	
Ok		Full Service	29850	BELTON BRANCH	300 EAST 1ST AVENUE	BELTON	TX	76513	BELL	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	688257	
Ok		Full Service	988359	COPPERAS COVE BRANCH	90 COVE TERRACE	COPPERAS COVE	TX	76522	CORYELL	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	688257	
Ok		Full Service	989954	NORTH EIGHTH STREET BRANCH	716 NORTH EIGHTH ST	KILLEEN	TX	76541	BELL	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	688257	
Ok		Full Service (Head Office)	875758	FIRST TEXAS BANK	501 EAST 3RD ST	LAMPASAS	TX	76550	LAMPASAS	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	875758	
Ok		Limited Service	1922480	KEY AVENUE BRANCH	100 NORTH KEY AVENUE	LAMPASAS	TX	76550	LAMPASAS	UNITED STATES	Not Required	Not Required	FIRST TEXAS BANK	875758	

REPORT ITEM #3

SHAREHOLDERS

A list of each shareholder of record that directly owns, controls or holds with power to vote 5 percent or more of any class of voting securities of the bank holding company is included as a part of this report.

FIRST TEXAS BANCORP, INC.
FR Y-6 REPORT ITEM #3
DECEMBER 31, 2020

Name & Address	Country/ Citizenship/ Formation Incorporation	# of Shares	Percentage Owned
R. Griffin Lord Trust Georgetown, TX	USA	185,778	21%
R. Griffin Lord, Trustee Sharon Lord C. Daggett, Trustee Barry J. Haag, Trustee			
Sharon Lord Daggett Trust Georgetown, TX	USA	185,777	21%
R. Griffin Lord, Trustee Sharon Lord C. Daggett, Trustee Barry J. Haag, Trustee			
Southwestern Advisory & Consulting Services, Inc. Round Rock, TX	USA	48,114	7%

Item 3(2) N/A

REPORT ITEM #4

DIRECTORS AND OFFICERS

Each principal shareholder, director, trustee, partner, executive officer, or person exercising similar functions, regardless of title or compensation, has been listed with the prescribed information which is made a part of this report.

(1) Name, City, State, Country	(2) Principal Occupation if other than the Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) 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)
BH 1/19/21							
Barry J. Haag Georgetown, TX, USA	N/A	Chairman of the Board Chief Executive Officer Director	Chairman of the Board Director **First Texas Data, Inc.** Chairman of the Board Director **First Texas Bank-Georgetown** Chairman of the Board Director **First Texas Bank-Killeen** Chairman of the Board Director **First Texas Bank-Lampasas**	Trustee **R.G.Lord Trust** Trustee **S.Lord Daggett Trust** Director/Vice Chair **Round Rock Christian Academy**	19%	N/A	N/A

(1) Name, City, State, Country	(2) Principal Occupation if other than the Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) 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)
R. Griffin Lord Belton, TX USA	Retired Banker	Director	Vice-Chairman Director **First Texas Bank-Killeen** **N/A All other Subsidiaries**	Trustee **Southwestern Univ.** Trustee **R. G. Lord Trust** Trustee **S. Lord Daggett Trust**	21%	N/A	N/A

R Griffin Lord
1/22/2021

(1) Name, City, State, Country	(2) Principal Occupation if other than the Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) 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)
Sharon Lord Daggett Phoenix, AZ	Retired Banker	Director	N/A	Trustee **R. G. Lord Trust** Trustee **S. Lord Daggett Trust** Honoree Director **Providence Place** Member **Board of Visitors** **Southwestern University**	21%	N/A	N/A

SLD 1/22/2021

(1) Name, City, State, Country	(2) Principal Occupation if other than the Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) 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)
Owen P. Carpenter, Jr. Austin, TX USA	Retired Banker	Advisory Director	Director **First Texas Bank-Killeen** **N/A All other Subsidiaries**	N/A	2%	N/A	N/A

Owen P. Carpenter, Jr.
1/22/2021

cls 1/21/21

(1) Name, City, State, Country	(2) Principal Occupation if other than the Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) 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)
Carolyn L. Steenken Georgetown, TX USA	N/A	SR.-V.P./Treasurer	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

(1) Name, City, State, Country	(2) Principal Occupation if other than the Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) 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)
Leslie M. Green Georgetown, TX, USA	N/A	Vice-President Secretary	Secretary **First Texas Data, Inc.** **N/A All other Subsidiaries**	N/A	N/A	N/A	N/A

1/21/21

KL 1/19/21

(1) Name, City, State, Country	(2) Principal Occupation if other than the Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other Businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) 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)
Kelly Long Leander, TX USA	N/A	Vice-President	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**