

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, S. Boyce Brown

Name of the Holding Company Director and Official

Director, Chairman, President & CEO

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

03/22/2021

Date of Signature

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

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

**For Federal Reserve Bank Use Only**

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

Extraco Corporation

Legal Title of Holding Company

1700 N. Valley Mills Dr

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

Waco

TX

76710

City

State

Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Gary H. Miller

Corp EVP & CFO

Name

Title

254-761-2112

Area Code / Phone Number / Extension

254-761-2149

Area Code / FAX Number

gmiller@extracobanks.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	<u>0</u>
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 .....		<input type="checkbox"/>
2. a letter justifying this request has been provided separately ...		<input type="checkbox"/>
NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."		

## 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.

Extraco Delaware Corporation

Legal Title of Subsidiary Holding Company

251 Little Falls Drive

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

Wilmington

City

Delaware

State



19808

Zip Code

N/A

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

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 Report to Shareholders  
2020**



## OUR MISSION

We build people, businesses and communities  
with creative and innovative excellence.©

## CORPORATE LEADERSHIP VALUES

Soundness,  
Profitability  
& Growth

Do the  
Right Thing

Exceptional  
Experience

Simple,  
Fast & Fun

Learning  
Leadership  
Culture

Family  
First

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March 2, 2021

Dear Fellow Shareholders:

This past year was remarkable. It was filled with incredible challenges for our Nation and communities, unlike anything most of us have seen since the 1980's in Texas. However, this time the crisis was on a National and global scale not seen since the Great Depression, bringing with it substantial change, volatility and market risk. The COVID-19 pandemic evolved into an economic panic causing massive disruption of the economy both domestically and abroad. In March, the S&P 500 lost 37% of its beginning year value. By the end of April, 16% of the labor force was out of a job, furloughed or saw reduced hours. In response, the U.S. government borrowed heavily to extend massive fiscal and monetary stimulus to reinforce safety nets. Fiscal stimulus was amplified given the populist presidential election year. The government rolled out the CARES Act which included support to small businesses that in many cases had been ordered to close in order to contain COVID-19. The Paycheck Protection Program (PPP) was created to deploy forgivable loans through the Small Business Administration which was woefully unprepared and significantly understaffed. By year end, Congress had approved roughly \$4 trillion in stimulus (\$1 trillion remains unspent), and the Federal Reserve's balance sheet swelled to \$7 trillion through the purchase of treasuries and mortgage backed securities in order to drive interest rates near zero. Deposits across the bank system swelled as affected consumers chose to set aside much of the windfall.

In March, we quickly and proactively reorganized Extraco into a tactical management structure, responding daily and weekly to the changing landscape. We created a comprehensive 90-day action plan, along with new policies, protocols and lobby equipment to protect our customers and support employees affected by school closures or family illness. By late April, we began closing our lobbies to walk-in traffic except for appointments. Our consumer banking teams rolled out several innovative ideas to stay close to our customers while protecting them, including our "curb-side" service which has become very popular. We revised and executed comprehensive emergency preparedness plans to compartmentalize our teams and ensure management and staffing depth and flexibility, assure sanitation daily and move two-thirds of our staff into a secure virtual or semi-virtual "work at home" environment. During 2020 we hosted 2,200 virtual meetings for 7,000 participants. In addition to these efforts, our commercial teams got to work building new loan policies, loan documentation requirements, funding processes and SBA guaranty approval systems to support the forgivable PPP SBA loan call to action, all while at the same time fielding hundreds of customer calls eager to understand the evolving program and learn how to navigate it. We funded 311 loans for \$50.5 million in a matter of only a few weeks, and established third-party originators to off load loans we simply did not have physical capacity to process before the SBA funding ran out. At the same time we performed detailed credit assessments, and agreed to emergency deferral of payments on \$124 million in loans.

All of our employees worked very hard during the crisis, including nights and weekends. They really stepped forward to meet these challenges.

Next, we put our learning culture to work studying the environment, market changes and enterprise risks. By late April, we had created our first financial stress tools based on multiple scenario outcomes in order to guide our preparation strategies. We also began to make heavy loan provisions to structurally prepare for the disrupted environment. By July the general economic consensus was improving. Texas unemployment had improved to 8.6%, but the COVID-19 virus was still a major economic impediment, collapsing the energy sector and causing the Governor to order gatherings to be limited to ten people. As we moved into September, our stress tests became more sophisticated, and our outlook for loan losses moderated as the government stimulus began to do its work. Our proactive efforts to identify and work with a growing problem loan list seemed to defer the potential losses into future periods and relieve our need for additional provisions. By October, we updated our stress tests again based on our exceptional credit performance and economic outlook. By year end it had become clear that while we continued to operate in a very uncertain time with expectations for manageable loan losses in future periods, our extraordinary commercial bankers and credit management teams had delivered a strong credit portfolio that was sound and stable. For 2020 we reported no net loan losses for the year, a truly remarkable achievement. We ended the year with a strong balance sheet, above peer average risk based capital, double peer average loan reserves, solid enterprise risk management, and superb asset quality.

As we moved beyond the May crisis peak, we began to reengage our executive team in thinking strategically. We wanted to find ways to create value and strategic advantage. First and foremost, we wanted to build our customer relationships, and this crisis gave us a perfect opportunity to put our personal banking practices to work. We used the PPP loan program as an opportunity to reach out to existing and new customers. In addition, we had recently installed perhaps the best Treasury Management Services product on the market. This gave us a great, highly sophisticated offering to demonstrate our resources and expertise. We continued to invest in marketing, promote our soundness advantage, and look for ways to build our brand by providing financial, leadership and volunteer support where our communities needed it most. We also invested heavily in technological innovation. We purchased, at a substantial discount, ten new virtual tellers, and used the lobby closures as an opportunity to remodel and re-engineer more than half of our fifteen branch facilities. As a result, we were able to make significant reductions in our consumer staffing and cost, while growing online infrastructure to meet explosive growth. Electronic transactions grew to 11.5 million and call center activity increased 36%. Overall, we invested \$1.7 million in new technology and \$635,000 in facility upgrades. By year end we had reduced overall staff 7% or 22 positions, all through attrition.

Our local landscape was also changing with industry consolidation. BancorpSouth, a Mississippi regional bank, announced a merger with two of our smaller competitors in 2020 bringing their total acquisitions in our footprint to three or about \$2.5 billion in assets. We see this as a huge opportunity to grow our market share and talent. However, as the number of local community banks has declined during this consolidation wave, we have likewise seen four other local banks cross the \$1 billion mark. Extraco with \$1.8 billion in assets continues to enjoy scale advantages over our local competitors. We have worked very hard to build on this by streamlining and optimizing our capacity and adopting technological innovations. Over the past five years we have grown our

commercial and business banking staff by 36%, while at the same time reduced the remaining staff 27% or 95 positions – all through attrition, reconfiguration and LEAN process refinements. We automated thirteen processes in 2020 alone, and have 20 more on deck for 2021. Despite a tough revenue environment, we expect to see efficiency productivity improvements. Our design is now more scalable, and ready to grow.

That is a good thing, because grow we did. In 2020, our total assets grew \$283 million (nearly 19%), and DDA's now make up nearly one-third of total deposits. Except for CDs, everything on the funding side grew. However, on the asset side we struggled with collapsing interest rates. The Fed Funds rate paid to banks during the year decreased from 1.55% to .10%, an estimated revenue impact of \$4.7 million on our now excessive \$325 million Fed Funds position. Municipals were also a major revenue challenge. We grew our municipal portfolio by \$68 million to \$302 million, but saw municipal revenues increase only 10%. The 10-year treasury rate also declined to historic lows (bottoming out at .32% in March), fueling robust mortgage production. We produced \$172 million in mortgages in 2020, retaining \$100 million which proved solid growth to offset commercial loan production struggles. Excluding PPP loans, the loan portfolio ended the year basically flat. Of course, we were able to reduce month to month interest expense as the year moved on, but most of that benefit will show itself in 2021. By year end, we had seen our net interest margin which started the year (monthly average) at 3.51%, decline to 2.86%, and total revenues ending the year basically flat.

As we began to study acquisition opportunities, we decided the best strategy would be to acquire our own stock. Our capital position, low-risk profile, and strong regulatory credibility positioned us well for the opportunity. Likewise, the potential for a Democratic government, changing tax codes and the dynamic investment needs of our shareholders seemed to offer a way to create shareholder value for both those selling out as well as those staying in. We carefully crafted a unique proposal that, while complicated, allowed us to offer the higher "Fair Value" price for the first time to shareholders. We created a fully independent committee advised by their own independent counsel and appraiser to evaluate and negotiate our final offer. I am pleased to report that our reverse split transaction was very well received. Combined with employee redemptions earlier in the year, we redeemed a total of 166,701 shares (11% of pre-split shares) and eliminated 31 shareholders (net of director qualifying shares), greatly simplifying our S-Corp administration burden, advancing our enduring family business vision, creating substantial value for redeeming shareholders, and likewise creating \$1.7 million in negative goodwill (after tax impact) to boost the stock price for continuing shareholders. This reverse stock split was a great effort by many people, and contributed another big win for 2020.

Financially, Extraco delivered a remarkable year of performance. Total shareholder return was 9.8%, driven by solid earnings (\$8.4 million after \$5.65 million in provision and \$2.3 million in tax distributions), bond gains (\$4 million) and the added benefit of the reverse stock split. Normalized core earnings declined 5% due to struggling revenues, despite \$1.76 million in non-recurring SBA fees. Expenses net of the redemption transaction costs were almost flat against the prior year. We expect to see our efficiency ratio improve, from the strong cost savings programs that are in place to absorb revenue challenges in 2021. While we continue to believe the environment remains uncertain, volatile and with elevated risk, we believe the risks are declining which has likewise subsided loan loss provision pressures given our strong reserve and asset quality. Problem assets remain elevated but they have been thoroughly analyzed and we have proactive plans in place to mitigate loss exposure. Meanwhile, we are



optimistic that pent up loan demand will fuel revenue growth in the second half of 2021 once the COVID-19 situation settles and consumer confidence and local economic expansion respond.

Looking forward, the environment remains extremely complex. The new Biden Administration is pressing for massive stimulus which seems unnecessary, and if passed will likely grow our balance sheet as consumers awash with cash use the funds to boost savings. The New Administration's energy policy risks limiting the supply of oil in the face of strong forecasted rebounding growth in the second half, which could drive up energy costs. Minimum wage and extended unemployment payments further incent the lower-end labor force to remain on the sidelines, with the possibilities of inflationary labor scarcity.

Add to this an excessive supply of liquidity in the banking system fueled by an historic expansion of the money supply (the Federal Reserve's treasury account and bank deposits total \$4.5 trillion), during a time of anticipated economic expansion, and our government is risking stirring up velocity and transitory inflation. On the other hand, we also have a stubborn, mutating pandemic, established economic theory that suggests GDP growth is limited by the weighty U.S. and global debt levels, and empirical evidence that over-extended governments like Japan have been successful in maintaining low rates to service their massive debt.

Balanced with these policies is a growing power shift towards the Asian Pacific, and an aggressive authoritarian China eager to challenge America's economic and military predominance. The advancements of artificial intelligence, G5, GPT-3 are also impactful, as is massive cultural disruption exacerbated by increasingly powerful Big Tech algorithms. All of these dynamics are accelerating in response to the COVID-19 pandemic. Given all this, the future world remains challenging, unpredictable and potentially volatile. At Extraco, we continue to believe the best course of action is soundness first, paired with an aggressive embracement of scalable technology designed for relational convenience and personal experience delivered by the best talent in the industry.

We remain committed to building people, businesses and communities with creative and innovative excellence. We celebrate the communities we serve, the healthcare and other essential partners leading us through these challenging times. In fact, we celebrate all of us who, by working together with patience, are building our community, fellowship and humanity in order to enrich all of our lives. May your 2021 be a great blessing for your family and the communities you serve. We're excited about it. Our family, Board of Directors and employees send our best wishes to you and our thanks for your steadfast support.

Sincerely,



S. Boyce Brown  
Chairman, President & Chief Executive Officer

*Given the continued COVID-19 risks, as well as for your convenience, we will not be holding an annual meeting. Enclosed is the written consent approved on April 1, 2021 used to elect our board of directors, appoint our external auditor and address housekeeping issues. Please feel free to contact us if we can be of service to you in any way. Extraco continues to make a market in its stock based on our 60% of year end audited book value formula. This year we have established a price of \$36,133.41. At our February board of directors meeting, regular quarterly dividends were declared for \$200 per share to be paid in April, 2021.*

April 1, 2021

Shareholder of  
Extraco Corporation  
Waco, Texas

RE: Written Consent of Shareholders in Lieu of an Annual Meeting of the Shareholders

Dear Shareholder:

On April 1, 2021, certain shareholders of Extraco Corporation (“Extraco”) owning a majority of the issued and outstanding common stock of Extraco executed and delivered to our Board of Directors a written consent authorizing and approving certain actions on behalf of Extraco taken in lieu of an annual meeting of the shareholders. As a result, no annual meeting of the shareholders of Extraco will occur in 2021.

Under Texas law and the governing documents of Extraco, we are required to notify each shareholder who did not sign the written consent of the action that is the subject of the consent. Accordingly, this letter is to notify each shareholder who did not sign the written consent that the following actions were taken pursuant to the consent, all as more particularly set forth in the consent: (1) the number of directors of Extraco has been set at five (5) directors; (2) the current directors of Extraco, namely, S. Boyce Brown, John M. Burrough, James Geeslin, Douglas L. Streater and Michael W. Thompson, have been re-elected to serve until the next annual meeting of the shareholders of Extraco and until his or her successor is chosen and qualified or until his or her earlier death, resignation or removal; and (3) all proceedings of the directors and all actions taken in good faith by the directors, officers and representatives of Extraco on behalf of Extraco prior to the adoption of the consent have been ratified, confirmed and approved.

By providing this letter, no additional action will be taken by Extraco with respect to the written consent. If you have any questions, please feel free to contact me at (254) 761-2101.

Sincerely,



S. Boyce Brown  
Chairman, President & Chief Executive Officer



JAYNES REITMEIER BOYD & THERRELL, P.C.  
Certified Public Accountants  
5400 Bosque Blvd., Ste. 600 | Waco, TX 76710  
P.O. Box 7616 | Waco, TX 76714  
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

## INDEPENDENT AUDITOR'S REPORT

Audit Committee and Board of Directors  
Extraco Corporation:

We have audited the accompanying consolidated financial statements of Extraco Corporation and Subsidiaries (the "Company"), which comprise the consolidated balance sheets 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 Consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

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

### ***Report on Internal Control over Financial Reporting***

We have also audited, in accordance with auditing standards generally accepted in the United States of America, Extraco Banks, N.A.'s internal control over financial reporting as of December 31, 2020 and 2019, based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 22, 2021, expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

*Jaynos, Reitmeier, Boyd & Shenell, P.C.*

February 22, 2021

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31**

	2020	2019
<u>Assets</u>		
Cash and due from banks	\$ 61,400,952	33,496,558
Interest bearing deposits in banks	327,815,668	132,903,784
Cash and cash equivalents	389,216,620	166,400,342
Securities available-for-sale	248,742,818	217,604,222
Securities held-to-maturity	123,747,647	128,355,860
Equity securities, at fair value	1,487,355	1,455,826
Restricted stock	4,752,345	4,692,895
Residential mortgages held for sale	8,452,446	3,797,684
Loans, net of allowance for loan losses of \$28,645,945 and \$23,027,960, respectively	992,668,162	965,648,797
Premises and equipment, net	24,080,516	25,069,188
Accrued interest receivable	6,380,950	5,854,681
Other assets	7,865,314	5,256,491
Total assets	\$ 1,807,394,173	1,524,135,986
<u>Liabilities and Stockholders' Equity</u>		
Deposits:		
Non-interest bearing	\$ 455,774,581	343,223,478
Interest bearing	991,988,526	874,192,476
Total deposits	1,447,763,107	1,217,415,954
Federal funds purchased and securities sold under agreements to repurchase	116,911,012	94,404,415
Other borrowings	73,229,998	35,516,893
Accrued interest payable	355,796	481,988
Accrued expenses and other liabilities	7,316,818	7,425,889
Total liabilities	1,645,576,731	1,355,245,139
Stockholders' equity:		
Voting common stock - no par value; 125,000 shares authorized, 888 issued and outstanding	1,110,625	1,110,625
Non-voting common stock - no par value; 375,000 shares authorized, 2,386 issued and outstanding	3,331,875	3,331,875
Additional paid-in capital	-	11,178
Retained earnings	177,879,480	172,308,539
Accumulated other comprehensive income	6,538,268	2,550,124
	188,860,248	179,312,341
Treasury stock at cost - 149 voting and 438 non-voting shares in 2020; 81 voting and 182 non-voting in 2019	(27,042,806)	(10,421,494)
Total stockholders' equity	161,817,442	168,890,847
Total liabilities and stockholders' equity	\$ 1,807,394,173	1,524,135,986

See accompanying notes to consolidated financial statements.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years Ended December 31**

	2020	2019
Interest and dividend income:		
Loans, including fees	\$ 44,574,444	45,538,890
Interest bearing deposits in banks	617,645	2,563,161
Securities - taxable	1,494,329	2,442,634
Securities - nontaxable	7,094,777	6,419,243
Dividends	173,983	223,704
Total interest and dividend income	53,955,178	57,187,632
Interest expense:		
Deposits	3,928,931	5,600,137
Securities sold under agreements to repurchase	282,059	764,803
Other borrowings	1,608,009	1,173,819
Total interest expense	5,818,999	7,538,759
Net interest income	48,136,179	49,648,873
Provision for loan losses	5,650,000	1,100,000
Net interest income after provision for loan losses	42,486,179	48,548,873
Non-interest income:		
Service charges and fees on deposit accounts	7,060,269	7,793,333
Insurance commissions and related income	1,873,624	2,100,306
Trust services income	3,694,966	3,502,761
Net gain on sale of loans and servicing	1,944,052	893,820
Net gain on sale of commercial insurance services	-	1,074,961
Securities brokerage commissions	581,665	584,854
Other operating income	4,081,816	2,142,377
Total non-interest income	19,236,392	18,092,412
Non-interest expenses:		
Salaries and employee benefits	31,663,194	31,597,708
Occupancy and equipment expense	7,650,622	7,683,096
Other outside service fees	2,585,685	2,229,622
Professional fees	1,305,565	509,068
Advertising and public relations	1,137,660	1,468,580
Core processing expense	1,174,141	1,094,341
Telephone expense	682,144	694,576
Regulatory assessments	599,745	497,501
Stationery and supplies	546,962	527,904
Net (gain) loss on sales of available-for-sale securities	(9,528)	50,780
Net loss on sales of held-to-maturity securities	-	23,534
Other operating expense	3,627,212	3,866,577
Total non-interest expenses	50,963,402	50,243,287
Income before income taxes	10,759,169	16,397,998
Income taxes	-	-
Net income	\$ 10,759,169	16,397,998

See accompanying notes to consolidated financial statements.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years Ended December 31**

	<u>2020</u>	<u>2019</u>
Net income	\$ 10,759,169	16,397,998
Other comprehensive income:		
Unrealized holding gains arising during the period	2,775,816	5,567,681
Less: reclassification adjustment for (gains) losses included in net income	<u>(9,528)</u>	<u>50,780</u>
Unrealized gain on securities available-for-sale, net	2,766,288	5,618,461
Changes in unrealized loss (gain) on securities transferred to held-to-maturity, net	1,240,417	(195,448)
Unrealized loss on interest rate caps arising during the period	<u>(18,561)</u>	<u>(172,056)</u>
Total other comprehensive income	<u>3,988,144</u>	<u>5,250,957</u>
Total comprehensive income	\$ <u><u>14,747,313</u></u>	<u><u>21,648,955</u></u>

See accompanying notes to consolidated financial statements.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Years Ended December 31**

	Voting Common Stock		Non-Voting Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balances at,									
December 31, 2018	888	\$ 1,110,625	2,386	\$ 3,331,875	448,171	161,454,538	(2,787,503)	(11,041,129)	152,516,577
Net income	-	-	-	-	-	16,397,998	-	-	16,397,998
Other comprehensive income	-	-	-	-	-	-	5,250,957	-	5,250,957
Securities transferred to equities	-	-	-	-	-	(86,670)	86,670	-	-
Sale of treasury stock	-	-	-	-	(583,050)	-	-	1,640,250	1,057,200
Purchase treasury stock	-	-	-	-	-	-	-	(1,020,615)	(1,020,615)
Stock-based compensation	-	-	-	-	146,057	-	-	-	146,057
Cash dividends declared	-	-	-	-	-	(5,457,327)	-	-	(5,457,327)
Balances at,									
December 31, 2019	888	\$ 1,110,625	2,386	\$ 3,331,875	11,178	172,308,539	2,550,124	(10,421,494)	168,890,847
Net income	-	-	-	-	-	10,759,169	-	-	10,759,169
Other comprehensive income	-	-	-	-	-	-	3,988,144	-	3,988,144
Sale of treasury stock	-	-	-	-	(11,178)	(660,089)	-	2,231,812	1,560,545
Purchase treasury stock	-	-	-	-	-	-	-	(18,853,124)	(18,853,124)
Stock-based compensation	-	-	-	-	-	147,094	-	-	147,094
Cash dividends declared	-	-	-	-	-	(4,675,233)	-	-	(4,675,233)
Balances at,									
December 31, 2020	<u>888</u>	<u>\$ 1,110,625</u>	<u>2,386</u>	<u>\$ 3,331,875</u>	<u>-</u>	<u>177,879,480</u>	<u>6,538,268</u>	<u>(27,042,806)</u>	<u>161,817,442</u>

See accompanying notes to consolidated financial statements.



**EXTRACO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31**

	2020	2019
Cash flows from operating activities:		
Net income	\$ 10,759,169	16,397,998
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of investment securities	3,366,332	2,779,782
Provision for loan losses	5,650,000	1,100,000
Depreciation expense	1,936,792	2,174,387
Net (gain) loss on disposal of premises and equipment	(57,004)	16,400
Net (gain) loss on sale of available-for-sale securities	(9,528)	50,780
Net loss on sale of held-to-maturity securities	-	23,534
Net gain on equity securities	(31,529)	(42,496)
Stock-based compensation expense	147,094	146,057
Net change in:		
Restricted stock	(59,450)	(101,800)
Residential mortgages held for sale	(4,654,762)	(1,035,274)
Accrued interest receivable	(526,269)	(136,229)
Other assets	(2,627,384)	1,813,563
Accrued interest payable	(126,192)	166,320
Accrued expenses and other liabilities	(109,071)	(23,483)
Net cash provided by operating activities	13,658,198	23,329,539
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from sales	15,156,140	5,774,375
Proceeds from maturities	59,690,000	32,860,000
Principal collections	5,893,988	9,244,831
Purchases	(151,446,088)	(108,699,932)
Securities held-to-maturity		
Proceeds from sales	-	651,978
Proceeds from maturities	43,684,135	40,340,500
Principal collections	1,141,343	1,005,648
Net increase in loans made to customers	(32,669,365)	(47,120,298)
Proceeds from sale of premises and equipment	1,567,678	1,282,519
Purchases of premises and equipment	(2,458,794)	(5,404,314)
Net cash used in investing activities	(59,440,963)	(70,064,693)

See accompanying notes to consolidated financial statements.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31**  
**(Continued)**

	<u>2020</u>	<u>2019</u>
Cash flows from financing activities:		
Net increase in deposits	230,347,153	51,810,347
Net increase in federal funds purchased and securities sold under agreements to repurchase	22,506,597	17,179,787
Proceeds from other borrowings	46,000,000	35,000,000
Repayment of other borrowings	(10,274,967)	(25,258,993)
Proceeds from sale of treasury stock	1,302,293	1,057,200
Purchase treasury stock	(16,606,800)	(1,020,615)
Cash dividends paid	(4,675,233)	(5,457,327)
Net cash provided by financing activities	<u>268,599,043</u>	<u>73,310,399</u>
Net increase in cash and cash equivalents	222,816,278	26,575,245
Cash and cash equivalents at beginning of year	<u>166,400,342</u>	<u>139,825,097</u>
Cash and cash equivalents at end of year	<u>\$ 389,216,620</u>	<u>166,400,342</u>
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 5,945,191	7,372,439
Cash paid during the year for income taxes	-	-
Non-cash financing activities:		
Subordinated debentures issued for purchase of treasury stock	1,988,072	-

See accompanying notes to consolidated financial statements.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the accounts of Extraco Corporation (the "Company") and its wholly owned subsidiaries, Extraco Delaware Corporation, Extraco Banks N.A. (the "Bank"), Extraco Community Development Corporation, and First Temple Corporation. The Bank provides financial services, including investment services and insurance services, to individuals and corporate customers in the Central Texas area through its banking facilities in Temple, Waco, Gatesville, Belton, Killeen, Copperas Cove, Harker Heights, Hewitt, Hamilton, McGregor, Georgetown, and Bryan/College Station. The Bank also originates and sells single-family residential mortgages through its bank facilities in addition to other production offices in Texas. All significant intercompany transactions have been eliminated in consolidation.

The Company and the Bank are subject to the regulations of certain federal agencies and undergo periodic examinations by those regulatory authorities.

**Use of Estimates**

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of other real estate owned. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, balances due from depository institutions and federal funds sold with original maturities of ninety days or less.

**Securities**

Securities are classified as follows:

Equity Securities

Marketable equity securities are recorded at fair value with changes in fair value recorded in earnings.

Held-To-Maturity

Bonds, notes, and debentures for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using methods approximating the interest method over the period to maturity.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Available-For-Sale

Available-for-sale securities consist of bonds, notes, and debentures not classified as trading securities or as held-to-maturity securities. Unrealized holding gains and losses on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. The amortization of premiums and the accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts. Premiums and discounts are amortized using methods approximating the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

**Restricted Stock**

The Bank, as a member of the Federal Home Loan Bank of Dallas ("FHLB"), is required to maintain an investment in the capital stock of FHLB. As a national bank, the Bank is required to maintain an investment in the capital stock of the Federal Reserve Bank in an amount based on the Bank's level of common stock and additional paid-in capital. Further, the Bank maintains an equity investment in Independent Bankers Financial Corporation, which owns TIB-The Independent Bankers Bank. These stocks do not have readily determinable fair values and, therefore, are carried at cost and are evaluated periodically by management for impairment.

**Residential Mortgages Held for Sale**

Residential mortgages held for sale are carried at the lower of cost or market using the aggregate loan method. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income for the period in which the change occurs.

**Loans**

Loans are stated at unpaid principal balances less allowance for loan losses and unearned discounts plus net deferred loan costs.

Management has determined that loan origination and commitment fees and certain direct origination costs are not significant; therefore, such fees and costs have not been deferred or capitalized, except for certain first lien mortgage loans originated and retained by the Bank. For these loans, certain direct origination costs are capitalized and amortized as a yield adjustment over the lives of the related loans using a method that approximates the interest method.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become 90 days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Interest is subsequently recognized only as received until the loan is returned to accrual status. A loan is restored to accrual status when all interest and principal payments are current and the borrower has demonstrated to management the ability to make payments of principal and interest as scheduled. The Bank's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, the loan's classification as a loss by regulatory examiners, or for other reasons.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. 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 periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is 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 or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Off-Balance-Sheet Credit Related Financial Instruments**

In the ordinary course of business, the Company has entered into commitments to extend credit, including standby letters of credit. Such financial instruments are recorded when they are funded.

**Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using the straight-line method. Repairs and maintenance costs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on disposition are included in other income or expense.

**Other Real Estate Owned**

Other real estate owned includes both formally foreclosed property and in-substance foreclosed property. In-substance foreclosed properties are those properties for which the Company has taken physical possession, regardless of whether formal foreclosure proceedings have taken place.

At the time of foreclosure, other real estate owned is recorded at fair value less cost to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs incurred in maintaining other real estate owned and subsequent adjustments to the carrying amount of the property are included in other expense.

**Derivatives**

ASC Topic 815, Accounting for Derivative Instruments and Hedging Activities, as amended, requires companies to record derivatives on their balance sheets at fair value. Changes in the fair values of those derivatives are reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting treatment. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value of assets or liabilities or cash flows from forecasted transactions. Derivative instruments that are used as part of the Company's interest rate risk management strategy consist of interest rate caps. These instruments are utilized to manage the interest rate risk on the Company's variable rate money market demand accounts.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Income Taxes**

The Company, with the consent of its shareholders, filed an election under the Internal Revenue Service Code to be taxed as an S corporation. Under the provisions for an S corporation, the Company will pay no corporate federal income taxes on its taxable income. In lieu of corporate federal income taxes, the shareholders are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for corporate federal income taxes will be made.

**Advertising Costs**

Advertising costs are generally expensed as incurred.

**Comprehensive Income**

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, unrealized gains and losses on securities transferred to held-to-maturity, and unrealized gains and losses on interest rate caps, and is reported as a separate component of stockholders' equity in the consolidated balance sheet.

**Trust Assets**

Property held by Extraco Banks, N.A. in fiduciary or agency capacities for its customers is not included in the accompanying consolidated balance sheets, since such items are not assets of the Company.

**Note 2 - Securities**

The fair value of equity securities at December 31, 2020 and 2019, were \$1,487,355 and \$1,455,826, respectively. This mutual fund was classified as available-for-sale as of December 31, 2018, but with the implementation of Accounting Standards Update No. 2016-01 was reclassified as an equity security in 2019.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

At December 31, 2020 and 2019, securities available-for-sale were comprised of the following:

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>Securities Available-for-Sale:</u>				
U.S. Treasury securities	\$ 23,051,039	322,983	-	23,374,022
U.S. government agency securities	-	-	-	-
Tax exempt municipal securities	187,606,508	5,506,822	(165,809)	192,947,521
Mortgage-backed securities	23,817,641	214,008	(458,950)	23,572,699
Collateralized mortgage obligations	6,775,767	80,475	(31,736)	6,824,506
Corporate securities	1,983,647	40,423	-	2,024,070
	\$ 243,234,602	6,164,711	(656,495)	248,742,818

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>Securities Available-for-Sale:</u>				
U.S. Treasury securities	\$ 22,101,116	69,905	(5,155)	22,165,866
U.S. government agency securities	24,492,764	-	(375,238)	24,117,526
Tax exempt municipal securities	127,804,540	3,580,649	(61,719)	131,323,470
Mortgage-backed securities	28,878,575	116,973	(631,399)	28,364,149
Collateralized mortgage obligations	8,128,487	53,196	(50,007)	8,131,676
Corporate securities	3,456,814	44,721	-	3,501,535
	\$ 214,862,296	3,865,444	(1,123,518)	217,604,222



**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

At December 31, 2020 and 2019, securities held-to-maturity consisted of the following:

		December 31, 2020			
		Amortized	Gross Unrealized	Gross Unrealized	Fair
		Cost	Gains	Losses	Value
<u>Securities Held-to-Maturity:</u>					
U.S. Treasury securities	\$	-	-	-	-
U.S. government agency securities		2,076,595	95,394	-	2,171,989
Tax exempt municipal securities		113,395,699	4,092,891	(4,148)	117,484,442
Taxable municipal securities		1,000,000	4,150	-	1,004,150
Mortgage-backed securities		7,275,353	15,171	(36,281)	7,254,243
	\$	<u>123,747,647</u>	<u>4,207,606</u>	<u>(40,429)</u>	<u>127,914,824</u>
		December 31, 2019			
		Amortized	Gross Unrealized	Gross Unrealized	Fair
		Cost	Gains	Losses	Value
<u>Securities Held-to-Maturity:</u>					
U.S. Treasury securities	\$	1,999,149	-	(207)	1,998,942
U.S. government agency securities		11,971,099	84,891	(58,835)	11,997,155
Tax exempt municipal securities		104,482,852	1,788,051	(86,650)	106,184,253
Taxable municipal securities		1,451,915	13,152	-	1,465,067
Mortgage-backed securities		8,450,845	17,557	(58,451)	8,409,951
	\$	<u>128,355,860</u>	<u>1,903,651</u>	<u>(204,143)</u>	<u>130,055,368</u>

The contractual maturities of debt securities at December 31, 2020, were scheduled as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 32,395,828	32,585,503	464,947	465,355
Due after one through five years	38,350,814	38,663,344	11,074,540	11,293,540
Due after five through ten years	43,819,423	44,691,697	26,561,799	27,236,729
Due after ten years	98,075,129	102,405,069	78,371,008	81,664,957
Mortgage-backed securities	23,817,641	23,572,699	7,275,353	7,254,243
Collateralized mortgage obligations	6,775,767	6,824,506	-	-
	\$ <u>243,234,602</u>	<u>248,742,818</u>	<u>123,747,647</u>	<u>127,914,824</u>

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities with carrying values of \$194,298,028 and \$157,729,452 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

During 2020, the Company sold securities available-for-sale for total proceeds of \$15,156,140, which resulted in gross realized gains of \$36,579, and gross realized losses of \$27,051. During 2019, the Company sold securities available-for-sale for total proceeds of \$5,774,375, which resulted in gross realized gains of \$2,586, and gross realized losses of \$53,366.

Due to credit deterioration during the year ended December 31, 2019, the Bank did sell certain held-to-maturity securities for total sales proceeds aggregating \$651,978, which resulted in gross realized losses of \$23,534. The Company did not sell any held-to-maturity securities in 2020.

During the year ended December 31, 2020, the Company transferred securities from available-for-sale to held-to-maturity. These securities were transferred at fair value and had an amortized cost of \$40,152,599 and fair value of \$41,956,310. In 2019, the Company transferred securities from held-to-maturity to available-for-sale. This was a result of the Company electing early adoption of ASU No. 2017-12 by identifying certain securities that meet the definition of "prepayable" under this standard. The securities were transferred at fair value. During 2019, the Company transferred securities with amortized cost of \$9,993,281 and fair value of \$9,704,300 from held-to-maturity to available-for-sale.

Activity in the net unrealized gain on securities held-to-maturity for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Net unrealized gain - beginning of year	\$ 1,096,144	1,291,592
Unrealized gain or loss on securities transferred to held-to-maturity	1,803,711	-
Net amortization charged to other comprehensive income	<u>(563,294)</u>	<u>(195,448)</u>
Net unrealized gain - end of year	<u>\$ 2,336,561</u>	<u>1,096,144</u>

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Information pertaining to securities with gross unrealized losses at December 31, 2020 and 2019, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

		December 31, 2020			
		Less than Twelve Months		Over Twelve Months	
		Gross		Gross	
		Unrealized	Fair	Unrealized	Fair
		Losses	Value	Losses	Value
		_____	_____	_____	_____
U.S. Treasury securities	\$	-	-	-	-
U.S. government agency securities		-	-	-	-
Tax exempt municipal securities		(169,186)	29,453,737	(771)	1,333,854
Mortgage-backed securities		(31,743)	5,779,154	(463,488)	17,977,330
Collateralized mortgage obligations		-	-	(31,736)	2,996,126
Corporate securities		-	-	-	-
	\$	(200,929)	35,232,891	(495,995)	22,307,310

		December 31, 2019			
		Less than Twelve Months		Over Twelve Months	
		Gross		Gross	
		Unrealized	Fair	Unrealized	Fair
		Losses	Value	Losses	Value
		_____	_____	_____	_____
U.S. Treasury securities	\$	(1,677)	2,011,552	(3,685)	4,000,261
U.S. government agency securities		(358,800)	13,730,411	(75,273)	15,424,727
Tax exempt municipal securities		(83,300)	23,215,709	(65,070)	14,154,539
Mortgage-backed securities		(121,250)	9,882,735	(568,599)	19,305,375
Collateralized mortgage obligations		-	-	(50,007)	2,996,207
Corporate securities		-	-	-	-
	\$	(565,027)	48,840,407	(762,634)	55,881,109

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

At December 31, 2020, 125 securities with unrealized losses have depreciated 1.20% from the Bank's amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Company has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3 - Residential Mortgages Held For Sale**

Residential mortgages held for sale at December 31, 2020 and 2019, were comprised of loans collateralized by mortgages on one-to-four family residences as follows:

	<u>2020</u>	<u>2019</u>
Residential mortgages held for sale	\$ 8,455,546	3,817,480
Premiums (discounts), net	(3,100)	(19,796)
Unrealized losses	-	-
Residential mortgages held for sale, net	<u>\$ 8,452,446</u>	<u>3,797,684</u>

**Note 4 - Loans and Allowance for Loan Losses**

At December 31, 2020 and 2019, loans consisted of the following:

<u>Loan Classifications</u>	<u>2020</u>	<u>2019</u>
Commercial real estate:		
Non-owner occupied	\$ 221,043,556	223,430,545
Owner occupied	131,889,175	139,874,588
Construction and land development	118,900,167	115,178,328
Other	9,236,255	14,709,000
Residential real estate	310,584,745	296,007,213
Commercial	70,748,768	39,998,348
Consumer	107,338,937	110,167,297
Other	51,572,504	49,311,438
Total Loans	<u>1,021,314,107</u>	<u>988,676,757</u>
Less: Allowance for loan losses	<u>(28,645,945)</u>	<u>(23,027,960)</u>
Loan, net	<u>\$ 992,668,162</u>	<u>965,648,797</u>

At December 31, 2020 and 2019, the Company had net unamortized premiums on loans purchased aggregating \$34,637 and \$52,003, respectively. Further, net unamortized loan origination fees aggregated \$55,051 at December 31, 2020, and net unamortized loan origination costs aggregated \$102,041 at December 31, 2019.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

An age analysis of past due loans, segregated by class of loans, as of December 31, 2020 and 2019, (in thousands) is as follows:

	30-89 Past Due	90 Days or More and Accruing	Nonaccrual	Total Current	Total Loans
<u>December 31, 2020</u>					
Commercial real estate:					
Non-owner occupied	\$ -	-	-	221,044	221,044
Owner occupied	-	-	13	131,876	131,889
Construction and land development	-	-	-	118,900	118,900
Other	-	-	1,157	8,079	9,236
Residential real estate	805	-	236	309,544	310,585
Commercial	-	-	-	70,749	70,749
Consumer	97	-	-	107,242	107,339
Other	-	-	-	51,572	51,572
Total	<u>\$ 902</u>	<u>-</u>	<u>1,406</u>	<u>1,019,006</u>	<u>1,021,314</u>
<u>December 31, 2019</u>					
Commercial real estate:					
Non-owner occupied	\$ 2,440	-	-	220,991	223,431
Owner occupied	72	-	12	139,791	139,875
Construction and land development	51	-	-	115,127	115,178
Other	-	-	236	14,473	14,709
Residential real estate	1,033	-	280	294,694	296,007
Commercial	-	-	-	39,998	39,998
Consumer	228	-	-	109,939	110,167
Other	29	-	-	49,283	49,312
Total	<u>\$ 3,853</u>	<u>-</u>	<u>528</u>	<u>984,296</u>	<u>988,677</u>

As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management assigns grades to individual loans as follows:

- Pass and Pass/Watch – Pass grade loans are loans to borrowers of acceptable credit quality and risk. Pass/watch loans includes loans on management's "watch list" and is intended to be utilized on a temporary basis for pass grade borrowers where a significant risk-modifying action is anticipated in the near term.

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- OAEM – An especially mentioned asset is considered bankable but has potential weaknesses that deserves management’s close attention. Especially mentioned assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Generally, this risk rating is a temporary risk rating. Improvement in the asset would warrant an upgrade in the assigned risk rating and any deterioration would warrant a downgrade in the assigned risk rating.
- Substandard – Loans graded substandard consist of performing and nonperforming loans, which are considered to be a problem. A substandard loan is considered inadequately protected either by the current sound worth and paying capacity of the primary obligor or by the collateral pledged. Substandard loans have well defined weaknesses or weaknesses that could jeopardize the repayment of the debt.
- Doubtful – Doubtful loans have all the weaknesses inherent in those related to substandard, with the added characteristic that the severity of the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable. While the identified loss exposure may not occur during the current reporting period, it is felt that loans in this category will “most likely” result in a loss unless substantial improvement occurs. In most cases, a reasonable carrying value for the distressed assets should be determined with a write-down made for any insufficient value.

A summary of loans, segregated by credit rating, as of December 31, 2020 and 2019, (in thousands) is as follows:

	Pass and Pass/Watch	OAEM	Substandard	Doubtful	Total Loans
<u>December 31, 2020</u>					
Commercial Real Estate:					
Non-owner occupied	\$ 217,202	3,568	274	-	221,044
Owner occupied	125,681	1,327	4,881	-	131,889
Construction and land development	108,563	10,337	-	-	118,900
Other	8,015	65	1,156	-	9,236
Residential real estate	309,294	1,017	274	-	310,585
Commercial	66,590	4,028	131	-	70,749
Consumer	107,339	-	-	-	107,339
Other	46,053	2,630	2,889	-	51,572
Total	<u>\$ 988,737</u>	<u>22,972</u>	<u>9,605</u>	<u>-</u>	<u>1,021,314</u>
<u>December 31, 2019</u>					
Commercial Real Estate:					
Non-owner occupied	\$ 219,483	1,191	2,757	-	223,431
Owner occupied	136,473	2,767	635	-	139,875
Construction and land development	115,098	80	-	-	115,178
Other	13,742	168	799	-	14,709
Residential real estate	293,542	939	1,526	-	296,007
Commercial	38,766	1,009	223	-	39,998
Consumer	110,149	8	10	-	110,167
Other	43,412	5,900	-	-	49,312
Total	<u>\$ 970,665</u>	<u>12,062</u>	<u>5,950</u>	<u>-</u>	<u>988,677</u>

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The following tables detail the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2020 and 2019 (in thousands). Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Unallocated	Total
<u>Allowance for Loan Losses:</u>							
Balance, December 31, 2018	\$ 7,817	4,780	2,494	4,610	2,430	66	22,197
Provision	549	353	(133)	10	218	103	1,100
Loans charged-off	-	(9)	(106)	(243)	(357)	-	(715)
Recoveries	5	6	26	105	304	-	446
Balance, December 31, 2019	8,371	5,130	2,281	4,482	2,595	169	23,028
Provision	1,456	911	2,104	82	944	153	5,650
Loans charged-off	-	-	(8)	(226)	(317)	-	(551)
Recoveries	6	5	11	87	410	-	519
Balance, December 31, 2020	\$ <u>9,833</u>	<u>6,046</u>	<u>4,388</u>	<u>4,425</u>	<u>3,632</u>	<u>322</u>	<u>28,646</u>
Individually evaluated for impairment	\$ -	-	-	-	-	-	-
Collectively evaluated for impairment	<u>9,833</u>	<u>6,046</u>	<u>4,388</u>	<u>4,425</u>	<u>3,632</u>	<u>322</u>	<u>28,646</u>
Balance, December 31, 2020	\$ <u>9,833</u>	<u>6,046</u>	<u>4,388</u>	<u>4,425</u>	<u>3,632</u>	<u>322</u>	<u>28,646</u>
Individually evaluated for impairment	\$ -	-	-	-	-	-	-
Collectively evaluated for impairment	<u>8,371</u>	<u>5,130</u>	<u>2,281</u>	<u>4,482</u>	<u>2,595</u>	<u>169</u>	<u>23,028</u>
Balance, December 31, 2019	\$ <u>8,371</u>	<u>5,130</u>	<u>2,281</u>	<u>4,482</u>	<u>2,595</u>	<u>169</u>	<u>23,028</u>

The Company's recorded investment in loans as of December 31, 2020 and 2019, (in thousands) related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology was as follows:

	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Total
Individually evaluated for impairment	\$ -	-	-	-	-	-
Collectively evaluated for impairment	<u>481,070</u>	<u>310,584</u>	<u>70,749</u>	<u>107,339</u>	<u>51,572</u>	<u>1,021,314</u>
Balance, December 31, 2020	\$ <u>481,070</u>	<u>310,584</u>	<u>70,749</u>	<u>107,339</u>	<u>51,572</u>	<u>1,021,314</u>
Individually evaluated for impairment	\$ -	-	-	-	-	-
Collectively evaluated for impairment	<u>493,193</u>	<u>296,007</u>	<u>39,998</u>	<u>110,167</u>	<u>49,312</u>	<u>988,677</u>
Balance, December 31, 2019	\$ <u>493,193</u>	<u>296,007</u>	<u>39,998</u>	<u>110,167</u>	<u>49,312</u>	<u>988,677</u>

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Impaired loans, segregated by class of loans, as of December 31, 2020 and 2019, (in thousands) were as follows.

	Unpaid Contractual Principal Balance	Recorded Balance With Allowance	Recorded Balance With No Allowance	Total Recorded Balance	Related Allowance	Average Recorded Balance
<u>2020</u>						
Commercial real estate:						
Non-owner occupied	\$ -	-	-	-	-	-
Owner occupied	30	-	13	13	-	13
Construction and land development	-	-	-	-	-	-
Other	1,208	-	1,157	1,157	-	696
Residential real estate	394	-	236	236	-	258
Commercial	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	\$ <u>1,632</u>	<u>-</u>	<u>1,406</u>	<u>1,406</u>	<u>-</u>	<u>967</u>
<u>2019</u>						
Commercial real estate:						
Non-owner occupied	\$ -	-	-	-	-	-
Owner occupied	27	-	12	12	-	51
Construction and land development	-	-	-	-	-	-
Other	271	-	236	236	-	243
Residential real estate	441	-	280	280	-	397
Commercial	-	-	-	-	-	4
Consumer	-	-	-	-	-	1
Other	-	-	-	-	-	26
Total	\$ <u>739</u>	<u>-</u>	<u>528</u>	<u>528</u>	<u>-</u>	<u>722</u>

Generally, no interest income is recognized on impaired loans subsequent to their classification as impaired.

At December 31, 2020 and 2019, the Bank had no loans 90 days or more past due and still accruing. Further, nonaccrual loans totaled \$1,405,857 and \$527,709 at December 31, 2020 and 2019, respectively.



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Loans that were modified as troubled debt restructurings during the years ended December 31, 2020 and 2019, (in thousands) segregated by class of loans were as follows:

2020				
	Number of Notes	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Ending Recorded Balance
Troubled debt restructurings:				
Commercial real estate:				
Non-owner occupied	-	\$ -	-	-
Owner occupied	-	-	-	-
Construction and land development	-	-	-	-
Other	-	-	-	-
Residential real estate	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
Total	-	\$ -	-	-

2019				
	Number of Notes	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Ending Recorded Balance
Troubled debt restructurings:				
Commercial real estate:				
Non-owner occupied	-	\$ -	-	-
Owner occupied	-	-	-	-
Construction and land development	-	-	-	-
Other	-	-	-	-
Residential real estate	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
Total	-	\$ -	-	-

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The Bank had no loans modified as troubled debt restructurings within the previous 12 months that experienced a payment default during the years ended December 31, 2020 and 2019.

At December 31, 2020 and 2019, the Bank had no consumer mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process.

The Bank transferred no loans to other real estate owned in 2020 or 2019.

The Bank has no commitment to loan additional funds to borrowers whose loans have been impaired or modified in troubled debt restructurings.

Overdrafts of customers' deposit accounts, aggregating \$151,603 and \$408,257 for the years ended December 31, 2020 and 2019, respectively, have been reclassified and are included in other loans.

**Note 5 - Premises and Equipment**

Premises and equipment at December 31, 2020 and 2019, consisted of the following:

	2020	2019	Estimated Useful Lives
Land	\$ 9,696,135	10,270,308	-
Building and improvements	29,195,008	30,380,468	6 - 40 years
Furniture, fixtures and equipment	14,291,016	15,832,514	2 - 20 years
Computer equipment	2,963,102	2,717,358	3 - 5 years
Automobiles	188,486	188,486	3 - 5 years
	56,333,747	59,389,134	
Less accumulated depreciation	(32,253,231)	(34,319,946)	
	\$ 24,080,516	25,069,188	

Depreciation expense aggregated \$1,936,792 and \$2,174,387 for the years ended December 31, 2020 and 2019, respectively.

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**Note 6 - Interest Rate Caps**

The Company has purchased interest rate cap contracts (the “contracts”), designated as a hedge, from unaffiliated entities to protect against significant interest rate increases that may occur in the future and the effect this would have on the Bank’s variable rate deposit accounts, specifically money market demand accounts. The contracts are summarized as follows:

<u>Counterparty</u>	<u>Notional Amount</u>	<u>Cost</u>	<u>Strike Rate</u>	<u>Effective Date</u>	<u>Termination Date</u>
Frost Bank	\$ 20,000,000	848,000	3.25%	07/01/17	07/01/21
Federal Home Loan Bank	20,000,000	776,000	3.00%	07/03/17	07/01/22
Frost Bank	20,000,000	792,000	3.25%	07/01/17	07/01/22
Federal Home Loan Bank	20,000,000	904,000	3.25%	01/04/16	01/03/23
Frost Bank	20,000,000	610,000	3.00%	01/02/19	07/01/24
Frost Bank	20,000,000	296,000	3.00%	07/01/21	07/01/26
Frost Bank	20,000,000	332,000	1.75%	07/01/21	07/01/27
Raymond James	20,000,000	385,000	1.50%	07/01/21	07/01/27
Frost Bank	20,000,000	225,000	2.50%	07/01/22	07/01/27
Raymond James	20,000,000	335,000	2.00%	07/01/22	07/01/27
Frost Bank	20,000,000	314,500	1.25%	07/01/23	07/01/28

During the period that these rate caps are in effect, if the 1 month LIBOR rate exceeds the strike rate, then the counterparty will pay the Company the differential times the notional amount of the contract.

The Company is amortizing the cost of the contracts from the date of purchase through the termination date using the straight-line method. Accumulated amortization aggregated \$3,402,046 and \$2,745,701 as of December 31, 2020 and 2019, respectively.

The contracts are derivatives and, as such, are recorded at fair value on the consolidated balance sheet in other assets, and are valued using discounted cash flow techniques. At least quarterly, the Company compares the change in the fair value of the contracts to the change in the value of a perfectly effective hypothetical derivative. If the change in the value of the contracts is less than or equal to the change in the value of the perfectly effective derivative, then the change in value of the contracts is recorded through other comprehensive income in the consolidated statement of stockholders’ equity. Any portion of the change in value of the contracts in excess of the change in value of the perfectly effective hypothetical derivative is recorded in the consolidated statement of income.

The net unrealized loss on the interest rate caps as of December 31, 2020 and 2019, aggregated \$1,306,508 and \$1,287,947, respectively.

The carrying value of interest rate caps, included in other assets, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Balance - beginning of year	\$ 192,352	547,270
Purchases	1,591,500	296,000
Amortization expense charged to current earnings	(656,345)	(478,862)
Unrealized gain (loss) charged to current earnings	-	-
Unrealized loss charged to other comprehensive income	<u>(18,561)</u>	<u>(172,056)</u>
Balance - end of year	<u>\$ 1,108,946</u>	<u>192,352</u>

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**Note 7 - Deposits**

At December 31, 2020 and 2019, deposits were comprised of the following:

	<u>2020</u>	<u>2019</u>
Demand accounts	\$ 455,774,581	343,223,478
Interest-bearing demand	380,650,822	305,088,651
Money market and savings	505,220,617	443,344,618
Time deposits:		
Less than \$250,000	76,240,603	93,286,847
\$250,000 or more	<u>29,876,484</u>	<u>32,472,360</u>
Total deposits	<u>\$ 1,447,763,107</u>	<u>1,217,415,954</u>

Contractual maturities of time deposits are scheduled as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 64,804,008
2022	21,095,926
2023	8,887,608
2024	6,341,715
2025	4,987,830

**Note 8 - Federal Funds Purchased and Securities Sold Under Agreements to Repurchase**

Federal funds purchased and securities sold under agreements to repurchase generally mature within one to four days from the transaction date and consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Federal funds purchased	\$ -	-
Securities sold under agreements to repurchase	<u>116,911,012</u>	<u>94,404,415</u>
Total	<u>\$ 116,911,012</u>	<u>94,404,415</u>

The weighted average interest rate on repurchase agreements as of December 31, 2020 and 2019, was 0.055% and 0.796%, respectively. Securities underlying the agreements to repurchase were as follows:

	<u>2020</u>	<u>2019</u>
Carrying Value	\$ 119,518,234	97,820,224
Estimated fair value	122,057,523	99,229,875
Accrued interest receivable	1,348,386	1,099,157

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At December 31, 2020 and 2019, the Bank had a \$30,000,000 federal funds purchased line of credit with an unaffiliated bank that expires October 15, 2021. The Bank also had an additional \$20,000,000 federal funds purchased line of credit with another unaffiliated bank that is continuous until canceled or suspended by the lending institution. No funds were advanced under either line at December 31, 2020 and 2019. The lines are generally unsecured.

**Note 9 - Other Borrowings**

At December 31, 2020 and 2019, other borrowings consisted of the following:

	<u>2020</u>	<u>2019</u>
Federal Home Loan Bank ("FHLB") advances, bearing interest at a weighted average rate of 1.2991% at December 31, 2020, maturing through March 2, 2035, secured by assets described below	\$ 70,000,000	35,000,000
Subordinated promissory notes to individuals, bearing interest at 4.00%, due in 27 equal quarterly installments through September 30, 2027, unsecured, callable by the Company on or after October 1, 2025	1,988,072	-
Revolving line of credit at an unaffiliated bank, bearing interest at daily AMERIBOR plus 2.5% with a floor of 3.50% at December 31, 2020, maturing on September 30, 2021	1,000,000	-
Non-interest bearing note to an individual, discounted at 6.00%, due in monthly installments beginning December 1, 2004, and continuing through November 1, 2021, unsecured	<u>241,926</u>	<u>516,893</u>
Total other borrowings	<u>\$ 73,229,998</u>	<u>35,516,893</u>

Scheduled maturities of other borrowings are as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 16,536,455
2022	25,294,529
2023	5,294,529
2024	5,294,529
2025	10,294,529
2026 and after	10,515,427

The Bank has an advance agreement with the FHLB. Under this agreement, the borrowing limit varies and is dependent upon the amount of FHLB stock held, the volume of first mortgage single family and other real estate loans, and total assets of the Bank. In addition, FHLB approval is required prior to additional borrowings.

The approximate carrying values of collateral for the FHLB agreement are as follows:

	<u>2020</u>	<u>2019</u>
Cash deposits at FHLB	\$ 87,079	75,279
FHLB stock	3,729,600	3,674,500
First mortgage single family loans	314,882,000	294,486,000
Other loans secured by real estate	<u>555,730,000</u>	<u>539,098,000</u>
	<u>\$ 874,428,679</u>	<u>837,333,779</u>

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The Company had undisbursed advance commitments aggregating \$45,000,000 under the agreement at December 31, 2020 and 2019. These commitments are in the form of a letter of credit securing public deposits.

The Bank has an agreement with the Federal Reserve Bank to obtain additional borrowings. These borrowings must be approved in advance and are based upon the amount and types of securities pledged by the Bank. As of December 31, 2020 and 2019, securities with carrying values of \$11,261,589 and \$2,676,614, respectively, were pledged to the Federal Reserve Bank. The Bank had no borrowings under this agreement as of December 31, 2020 and 2019.

The Company has a \$15,000,000 revolving line of credit agreement with an unaffiliated bank. The line bears interest at the AMERIBOR rate plus 2.5%, matures September 30, 2021, and is unsecured. Further, the AMERIBOR rate is subject to a 1.00% floor. The agreement requires the loan loss reserve be maintained at the greater of 1.25% of loans outstanding, 30% of non-performing loans or the regulatory minimum, if any. The Company is prohibited from allowing its consolidated net worth to decrease less than \$100,000,000 and paying dividends in excess of \$10,000,000 in the aggregate per year. The agreement also prohibits the Company from incurring unsecured debt, on a parent company only basis, in excess of \$10,000,000, exclusive of this agreement. Funds advanced under this line were \$1,000,000 at December 31, 2020. No funds were advanced under this line at December 31, 2019.

**Note 10 - Accumulated Other Comprehensive Income (Loss)**

At December 31, 2020 and 2019, the components of accumulated other comprehensive income (loss) were as follows:

	<u>2020</u>	<u>2019</u>
Unrealized gain on securities available-for-sale	\$ 5,508,215	2,741,927
Unrealized gain on securities transferred to held-to-maturity	2,336,561	1,096,144
Unrealized loss on interest rate caps	<u>(1,306,508)</u>	<u>(1,287,947)</u>
	<u>\$ 6,538,268</u>	<u>2,550,124</u>

**Note 11 - Employee Benefit Plan**

The Company has an employee benefit plan covering all employees with one thousand hours per year of service. The plan provides for contributions by the Company in such amounts as the Board of Directors may determine. The Company accrues for contributions during the year and determines the final amount to be paid in February of the subsequent year. During 2020, the Company paid \$760,667 and \$509,808 for the 2019 and 2018 plan years, respectively. Accrued profit sharing contributions, included in accrued expense and other liabilities, aggregated \$855,525 at December 31, 2020.

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**Note 12 - Regulatory Matters**

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2020, approximately \$12,219,000 of retained earnings of the Bank was available for dividend declaration without prior regulatory approval. Further, in accordance with the requirements of the Board of Governors of the Federal Reserve System, the Bank must maintain certain daily cash reserve balances. The Bank had no required cash reserve at December 31, 2020. At December 31, 2019 such cash reserve balances approximated \$1,099,000.

**Note 13 - Regulatory Capital Requirements**

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier I, and Common Equity Tier I ("CET I") capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020, that the Bank meets all capital adequacy requirements to which it is subject.

Further, beginning January 1, 2016, the quantitative measures established by regulation require the Bank to maintain a 2.50% conservation buffer in excess of the minimum capital requirements to avoid further limitations on the amount of dividends and certain bonuses to executive management that may be paid. This conservation buffer was phased in ratably over four years.

Effective March 31, 2020, qualifying community banks may opt-in at their discretion to the Community Bank Leverage Ratio ("CBLR") Framework in lieu of the generally applicable capital rule (risk-based capital framework) for measuring capital adequacy. Banks meeting the requirements of the CBLR framework are considered to meet the "Well Capitalized" ratio requirements under the prompt corrective action framework and the generally applicable capital rule.

General qualifying criteria for a Bank's use of the CBLR framework include that a bank must have a leverage ratio of greater than 9%, have less than \$10 billion consolidated assets, cannot be an advanced approaches banking organization, have trading assets plus liabilities of less than 5% of consolidated assets, and have total off-balance sheet exposures of 25% or less of consolidated assets. If a bank drops below the minimum 9% threshold, it may continue to use the CBLR framework if it maintains a leverage ratio of greater than 8% and continues to be considered well capitalized for a period of up to two quarters.

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The CBLR calculation equals Tier 1 capital divided by average total consolidated assets as of the current quarter less deductions from Tier 1 capital.

Pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security Act, as of the second quarter 2020, a banking organization with a leverage ratio of 8% or greater (and that meets the other qualifying criteria) may elect to use the CBLR framework. This interim final rule also establishes a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 1% below the applicable ratio requirement. The CBLR will remain 8% through calendar year 2020, will be 8.5% through calendar year 2021, and will be 9% thereafter. The final rule, effective November 9, 2020, adopts these interim final rules with no changes.

As of December 31, 2020, the most recent notification from the Office of the Comptroller of the Currency (“OCC”) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately or well capitalized the Bank must maintain minimum Total risk-based, Tier I risk-based, CET I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

As of December 30, 2020, the Bank has not opted-in to using the CBLR framework for capital adequacy reporting purposes. The Company's and the Bank's actual amounts and ratios as of December 31, 2020 and 2019, are presented in the following tables:



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	Actual		Minimum Capital Requirements		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:						
<u>Consolidated</u>						
Total capital to risk-weighted assets	\$ 167,604,987	16.855%		N/A		N/A
Tier I capital to risk-weighted assets	154,974,693	15.585%		N/A		N/A
CET I capital to risk-weighted assets	154,974,693	15.585%		N/A		N/A
Tier I capital to average assets	154,974,693	8.718%		N/A		N/A
December 31, 2020:						
<u>Extraco Banks, N.A.</u>						
Total capital to risk-weighted assets	\$ 166,516,751	16.745%	\$ 79,553,184	8.000%	\$ 99,441,481	10.000%
With conservation buffer			104,413,555	10.500%	124,301,851	12.500%
Tier I capital to risk-weighted assets	153,886,371	15.475%	59,664,888	6.000%	79,553,184	8.000%
With conservation buffer			84,525,258	8.500%	104,413,555	10.500%
CET I capital to risk-weighted assets	153,886,371	15.475%	44,748,666	4.500%	64,636,962	6.500%
With conservation buffer			69,609,036	7.000%	89,497,332	9.000%
Tier I capital to average assets	153,886,371	8.657%	71,102,101	4.000%	88,877,626	5.000%
With conservation buffer			115,540,914	6.500%	133,316,439	7.500%

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
December 31, 2019:						
<u>Consolidated</u>						
Total capital to risk-weighted assets	\$ 178,285,209	18.144%	N/A		N/A	
Tier I capital to risk-weighted assets	165,870,162	16.881%	N/A		N/A	
CET I capital to risk-weighted assets	165,870,162	16.881%	N/A		N/A	
Tier I capital to average assets	165,870,162	10.823%	N/A		N/A	
December 31, 2019:						
<u>Extraco Banks, N.A.</u>						
Total capital to risk-weighted assets	\$ 171,195,682	17.423%	\$ 78,607,827	8.000%	\$ 98,259,783	10.000%
With conservation buffer			103,172,772	10.500%	122,824,729	12.500%
Tier I capital to risk-weighted assets	158,780,549	16.159%	58,955,870	6.000%	78,607,867	8.000%
With conservation buffer			83,520,816	8.500%	103,172,772	10.500%
CET I capital to risk-weighted assets	158,780,549	16.159%	44,216,902	4.500%	63,868,859	6.500%
With conservation buffer			68,781,848	7.000%	88,433,805	9.000%
Tier I capital to average assets	158,780,549	10.360%	61,304,178	4.000%	76,630,222	5.000%
With conservation buffer			99,619,289	6.500%	114,945,333	7.500%

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 14 - Related Party Transactions**

At December 31, 2020 and 2019, executive officers, directors and principal shareholders of the Company and the Bank and entities in which they have 10 percent or more beneficial ownership, were indebted to the Bank in the aggregate amounts of approximately \$4,990,000 and \$3,757,000, respectively, and had deposits at the Bank aggregating approximately \$10,993,000 and \$7,696,000, respectively.

The Bank leases its banking facilities in Harker Heights, Killeen, and a branch facility in Waco, Texas, from Extraco Capital, LLC, an entity related through common ownership. Lease payments, net of leases to outside entities, aggregated \$197,895 and \$164,997 during the years ended December 31, 2020 and 2019, respectively. Future net minimum lease payments are scheduled as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 195,281
2022	191,201
2023	138,199
2024	75,420
2025	62,850

During the year ended December 31, 2019, the Company sold a building and furniture and fixtures to Extraco Capital, LLC, an entity related through common ownership, for proceeds aggregating \$698,949 and recorded a gain of \$208,766.

**Note 15 - Commitments**

The Bank has certain operating lease agreements as lessor for land and office space at its facilities in Temple and Waco, Texas. Lease receipts from such agreements totaled \$358,096 and \$379,406 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease receipts for long-term leases are scheduled as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 103,888
2022	40,000
2023	28,000

The Bank has entered into certain land and building operating leases from unrelated entities as well as other long-term commitments. Rental expense for all operating leases and other operating costs under the long-term commitments aggregated \$529,422 and \$528,373 in 2020 and 2019, respectively. The following is a schedule of future minimum payments for these operating leases and other long-term commitments:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 477,630
2022	400,006
2023	293,393
2024	214,400
2025	200,700
2026 and after	945,000

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Bank owns a 1.45% interest in Valesco Commerce Street Capital, L.P., a limited partnership. The carrying value of the investment was zero at December 31, 2020. The carrying value of the investment aggregated \$49,171 at December 31, 2019, is carried at cost, is evaluated periodically by management for impairment, and is reported in other assets in the consolidated financial statements. At December 31, 2020, the Bank is committed to fund an additional \$171,397 as requested by the limited partnership.

The Bank owns a 2.39% interest in Valesco Fund II, L.P., a limited partnership. The carrying value of the investment aggregated \$2,058,270 and \$1,603,302 at December 31, 2020 and 2019, respectively, is carried at cost, is evaluated periodically by management for impairment, and is reported in other assets in the consolidated financial statements. At December 31, 2020, the Bank is committed to fund an additional \$1,941,730 as requested by the limited partnership.

**Note 16 - Contingencies**

Certain legal actions and proceedings are pending against or involve the Bank. Management, after reviewing with its legal counsel all actions and proceedings against or involving the Bank, considers that the aggregate liability or loss, if any, resulting from them will not be material to the consolidated financial statements.

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which are likely to negatively impact net interest income. Other negative financial impact could occur though such potential impact is unknown at this time.

**Note 17 - Stock Based Compensation**

**Stock Options**

The Company sponsors a stock option plan for key officers and employees. The plan provides that the option price will be fixed at 60% of the book value as of the latest year-end consolidated financial statements of the Company. The options become vested and exercisable in whole or in part by the optionee on the designated anniversary of the date of grant. Options cannot be exercised after the expiration date. Transactions and other information relating to the plan for the years ended December 31, 2020 and 2019, are summarized as follows:

	2020		2019	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding - beginning of year	256.20	\$ 27,590.00	260.00	\$ 26,535.00
Granted	45.20	33,645.00	45.60	30,480.00
Exercised	(43.80)	25,123.82	(43.20)	24,475.00
Forfeited	(5.00)	27,351.30	(6.20)	26,435.00
Outstanding - end of year	252.60	29,104.16	256.20	27,590.00
Options exercisable - year end	-		-	
Weighted average fair value of options granted during the year		1,720.00		3,690.00
Cash received for options exercised		1,100,423		1,057,200
Tax benefit realized from stock options exercised		-		-

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with U.S. generally accepted accounting principles, options granted are being expensed over the expected life of the options based on the fair value of the options at the date of grant. Compensation expense associated with stock options for the years ended 2020 and 2019, aggregated \$147,094 and \$146,057, respectively, and is included in salaries and employee benefits.

The fair value of the options granted during 2020 and 2019, was determined using the Black-Scholes pricing model.

As of December 31, 2020, options outstanding under the plan have exercise prices between \$24,844 and \$33,645 and a weighted average contractual life of 2.07 years.

Total compensation costs related to non-vested options not yet recognized at December 31, 2020, aggregated \$297,733.

**Note 18 - Fair Value Measurements**

ASC Topic 820, "Fair Value Measurements" ("ASC 820"), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2020 and 2019, are as follows:

December 31, 2020		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	Total			
Equity securities	\$ 1,487,355	1,487,355	-	-
Securities available-for-sale	248,742,818	23,374,022	225,368,796	-
Interest rate caps	1,108,946	-	1,108,946	-
December 31, 2019				
Description				
Equity securities	\$ 1,455,826	1,455,826	-	-
Securities available-for-sale	217,604,222	22,165,866	195,438,356	-
Interest rate caps	192,352	-	192,352	-

U.S. Treasury securities and equity securities are classified within Level 1 of the valuation hierarchy. Other securities available-for-sale and interest rate caps are classified within Level 2 of the valuation hierarchy. The Company obtains fair value measurements for securities and interest rate caps from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Fair values of assets and liabilities measured on a nonrecurring basis at December 31, 2020 and 2019, are as follows:

December 31, 2020		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	Total			
Residential mortgages				
held for sale	\$ 8,702,686	-	8,702,686	-
Impaired loans	1,405,857	-	-	1,405,857
Other real estate owned	-	-	-	-
December 31, 2019				
Description				
Residential mortgages				
held for sale	\$ 3,917,573	-	3,917,573	-
Impaired loans	527,709	-	-	527,709
Other real estate owned	-	-	-	-

Loans held for sale are carried at the lower of cost or fair value, which is evaluated on a pool-level basis. The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of the loan or other observable market data, such as outstanding commitments from third party investors (Level 2).

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment include estimating fair value of the collateral for collateral-dependent loans. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized by obtaining a current independent appraisal and applying a discount factor to the value over the estimated holding period. Impaired loans that are collateral dependent are classified within Level 3 of the valuation hierarchy when impairment is determined using the fair value method.

Other real estate owned is held by the Company at fair value less costs to sell. At foreclosure, if the fair value of the real estate acquired is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Further, valuations are periodically performed by management and any subsequent reduction in fair value is recognized as a charge to income. Other real estate owned at fair value is classified within Level 3 of the valuation hierarchy.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 19 - Financial Instruments with Off-Balance-Sheet Risk**

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition. A summary of the Bank's financial instruments with off-balance-sheet risk at December 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Commitments to extend credit	\$ 139,894,000	141,785,000
"Locked-in" commitments to fund single family residential mortgages	16,774,000	8,495,000
Standby letters of credit	2,006,000	710,000

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

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

Bank management believes commitments to sell loans to investors will be satisfied by mortgage loans held for sale and those in process at December 31, 2020 and 2019. The Bank does not require or place collateral for any delivery commitments. Interest rate locks and forward commitments are carried at fair value in the consolidated financial statements. Fair values of interest rate lock commitments are primarily based on quoted market prices for the sale of individual loans with similar terms as those represented by the rate locks. Fair values of forward commitments are based on quoted market prices for mortgage-backed securities with similar terms as those represented by the forward contract.

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

The Bank has not incurred any losses on its commitments to extend credit and standby letters of credit in either 2020 or 2019.



**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 20 - Executive Retirement Plan**

The Company sponsors an executive retirement plan for certain key executives. The plan provides post-retirement payments in return for the executives' agreement to not compete with the Company and to not solicit the Company's clients or employees. The payments made in accordance with this plan are over a ten year period after retirement and do not accrue interest. The amounts payable under the plan are based on 60% of the per share book value at the date of vesting less 60% of the per share book value at the time of the grant, multiplied by the number of share units granted. All benefits under the plan are forfeited if the employee is no longer employed by the Company for any reason prior to vesting upon retirement. Since benefits are earned by post-retirement activities, no expense is accrued until such benefits are earned. Activity in the accrual account for the years ended December 31, 2020 and 2019, relating to 46.0 share units earned and 24.8 shares being earned is as follows:

		2020	2019
Balance - beginning of year	\$	-	18,326
Expense charged to current earnings		25,845	13,879
Payments to beneficiaries		(25,845)	(32,205)
Balance - end of year	\$	-	-

**Note 21 - Concentrations of Credit**

Generally, all of the Bank's loans, commitments and standby letters of credit have been granted to customers in the Bank's market areas. All such customers are generally depositors of the Bank.

At December 31, 2020 and 2019, the Bank had approximately \$14,459,000 and \$17,172,000, respectively, deposited in or loaned to federally insured institutions and the Federal Home Loan Bank in the form of due from banks and federal funds sold, which exceeded the insurance provided by the Federal Deposit Insurance Corporation.

**Note 22 – Significant Event**

On October 1, 2020, the Company filed an amendment to its Articles of Incorporation and effected a 1-for-500 reverse stock split of its issued and outstanding shares of voting and non-voting common stock, no par value, whereby 1,360,031 outstanding shares of the Company's common stock were exchanged for 2,681 shares of the Company's common stock. Under the terms of the reverse stock split, fractional shares were redeemed for cash. All per share amounts and number of shares in the consolidated financial statements and related notes have been retroactively restated.

**Note 23 – Recently Issued Accounting Standards**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

**EXTRACO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2022, with early adoption permitted. The Company is in process of evaluating the impact of this new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses. The new standard establishes a current expected credit loss (“CECL”) model that aims to estimate the credit loss associated with contractual cash flows that are not expected to be collected over the remaining life of the loan. The change from an incurred-loss approach will result in recognition of expected credit losses at origination of a loan based on historical experience, current conditions, and reasonable and supportable forecasts. The new standard is effective for fiscal years beginning after December 15, 2022. A modified-retrospective approach requires an entity to apply the amendments from the update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

**Note 24 - Subsequent Events**

In January 2021, the Company declared a dividend of \$200.00 per share payable to shareholders of record as of March 30, 2021. As of February 22, 2021, the total expected dividend aggregated \$537,400. The Company also approved the payment of dividends to its shareholders for their quarterly estimated tax payments; however, the amount of such dividends is unknown at February 22, 2021.

Subsequent events have been evaluated through February 22, 2021, the date the consolidated financial statements were available to be issued.

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## EXTRACO CORPORATION DIRECTORS

**S. BOYCE BROWN** | Chairman, President & Chief Executive

**JOHN M. BURROUGH** | Retired, President & Chief Executive |  
Extraco Banks

**JAMES GEESLIN** | Corporate Executive Vice President

**DOUGLAS L. STREATER** | Corporate Executive Vice President |  
Secretary & Treasurer

**MICHAEL W. THOMPSON** | Retired, President & Chief Executive |  
Extraco Banks

## EXTRACO BANKS DIRECTORS

**S. BOYCE BROWN** | Executive Chairman

**SPENCER BROWN JR.**

Chairman & President | National Diversified | Advisory Status

**JOHN M. BURROUGH** | Retired, President & Chief Executive |  
Extraco Banks

**H. BLAND CROMWELL** | Vice President | Coldwell Banker Commercial/  
Jim Stewart, Realtors

**JAMES GEESLIN** | Vice Chairman

**ROGER W. HINDS** | Retired, President & Chief Executive |  
Temple Tag Limited

**CHRIS KINCAID** | Corporate Executive Vice President | Chief of Strategic  
Design | Secretary of the Board

**GARY MILLER** | Corporate Executive Vice President | Chief Financial Officer |  
Treasurer & Assistant Secretary

**TERRY S. MANESS, PH.D** | Retired, Dean | Hankamer School of Business |  
Baylor University

**DOUGLAS L. STREATER** | President & Chief Executive

**MICHAEL W. THOMPSON** | Retired, President & Chief Executive | Extraco  
Banks

## COMMUNITY BOARD ADVISORY DIRECTORS

**BOBBY L. BATES, DDS** | Retired | Community Bank Council

**WILLIAM C. BOYCE** | Partner | Williams-Boyce Agency, LLP. |  
North Region

**ROBERT S. BRASWELL, IV** | President | Direct Wireless Corp | North Region

**CURTIS C. CLEVELAND** | Vice President | Central Texas Iron Works |  
North Region

**PERRY CLOUD** | President & CEO | Cloud Construction | South Region

**KAREN CRAIG** | Realtor | Davidson Craig Real Estate |  
Community Bank Council

**TOM CREEK** | Senior Vice President | Chairman | Community Bank  
Council

**TAMMY L. EDELSTEIN-RICHARDS** | Executive Vice President |  
Senior Lending Officer | North Region

**HORACE R. GRACE** | Director | Central Texas Workforce Development  
Board | South Region

**BRADFORD W. HOLLAND, MD** | Physician | Partner | Waco Ear,  
Nose & Throat | North Region

**MARIO LUPPINO** | Senior Vice President | Financial Center Sales |  
Community Bank Council

**JOHN MAUPIN** | Executive Vice President | Wealth & Trust |  
North Region & South Region

**KEITH MAXWELL** | Regional President | South Region

**T.P. MEDLOCK** | Owner | Farmers Propane | Community Bank Council

**PATRICK B. MULLINS** | South Region

**JOHN PAYSSE** | President | John Paysse Properties | South Region

**BRIAN REINHARDT** | President | South Region

**MARK REYNOLDS** | President | North Region

**C. DAVID SHELLENBERGER** | Owner/Broker | Keller Williams |  
North Region

**STEVE WOLFE** | President | Metro Markets | South Region

**MARY JANE ZEIGLER** | Attorney | Owner | Coryell County Land &  
Abstract | Community Bank Council

**JERRY ZSCHIESCHE, DDS** | Owner | Jerry Zchiesche, DDS Inc. |  
Community Bank Council

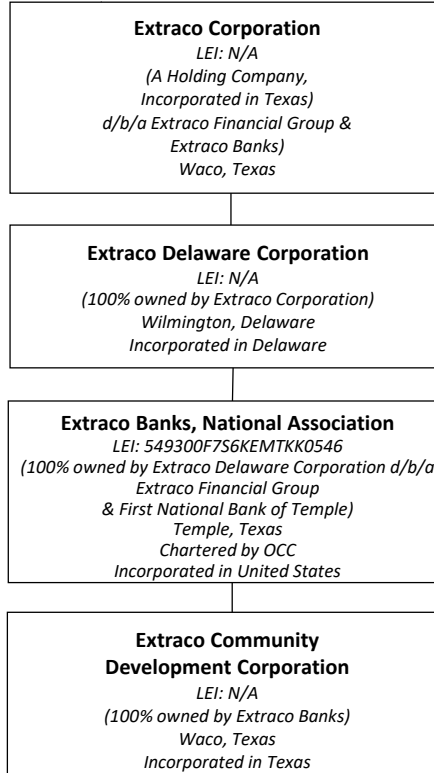


Post Office Box 7832  
Waco, TX 76714-7832

[extracobanks.com](http://extracobanks.com)

Report Item 2(a): Organization Chart

Form FR Y-6  
Extraco Corporation  
Corporate Structure  
Fiscal Year Ending December 31, 2020







**Report Item 3: Shareholders**

(1)(a)(b)(c)

**Form FR Y-6**  
**Extraco Corporation**  
**As of December 31, 2020**

Current shareholders with ownership, control of holdings over 5% or more with power to vote of fiscal year ending 12/31/2020:

<u>Name and Address (City, State, Country)</u>	<u>Country of Citizenship</u>	<u>Number of Voting Shares Owned or Controlled</u>	<u>Percentage of Voting Shares Owned or Controlled</u>
S. Boyce Brown Waco, Texas	United States	399	53.99%
Len McClane Brown (spouse of S. Boyce Brown) Waco, Texas	United States	45	6.09%
Maria Stanton Brown Sattler Puyallup, Washington	United States	51	6.90%
David Sattler (spouse of Maria Stanton Brown Sattler) Puyallup, Washington	United States	1	0.14%
Margaret Brown Lewis Dallas, Texas	United States	43	5.82%
J. Keet Lewis (spouse of Margaret Brown Lewis) Dallas, Texas	United States	2	0.27%
Rebecca Matustik Brown Waco, Texas	United States	<u>1</u>	<u>0.14%</u>
<b>Immediate Family Total</b>		<b>542</b>	<b>73.34%</b>

---

**Report Item 3: Shareholders**

(2)(a)(b)(c)

Shareholders with ownership, control of 5% or more not listed in item 3(1) with power to vote during the year ended 12/31/2020:

<u>Name and Address (City, State, Country)</u>	<u>Country of Citizenship</u>	<u>Number of Shares Voted or Owned</u>	<u>Percentage of Shares Voted or Owned</u>
N/A	N/A	N/A	N/A

**Report Item 3: Shareholders**

(1)(a)(b)(c)

**Form FR Y-6  
Extraco Delaware Corporation  
Fiscal Year Ending December 31, 2020**

**Current Shareholders with ownership, control of holdings of 5% or more with power to vote  
of fiscal year ending 12/31/2020**

(1)(a) <u>Name and Address (City, State, Country)</u>	(1)(b) <u>Country of Citizenship</u>	(1)(C) <u>Number of Voting Shares Owned</u>	<u>Percentage of Voting Shares Owned</u>
Extraco Corporation Waco, Texas	United States	1,000	100%
Total		<u>1,000</u>	<u>100%</u>

---

**Report Item 3: Shareholders**

(2)(a)(b)(c)

**Shareholders with ownership, control of 5% or more not listed in item 3(1) with power to vote during the year ended 12/31/2020**

<u>Name and Address (City, State, Country)</u>	<u>Country of Citizenship</u>	<u>Number of Shares Voted or Owned</u>	<u>Percentage of Shares Voted or Owned</u>
N/A	N/A	N/A	N/A

Form FR Y-6  
**Extraco Corporation**  
**Waco, Texas**  
**Fiscal Year Ending December 31, 2020**

**Report Item 4: Insiders**

(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	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)
S. Boyce Brown TX, USA	Waco, N/A	Director, Chairman, President & CEO	Extraco Delaware Corporation Director, Chairman, President & CEO  Extraco Banks, N.A. Director, Executive Chairman	Extraco Capital, LLC Chairman, CEO & Manager  Extraco Technology Chairman & Director  Extraco Consulting Chairman & Director  Brown Partnership C, Ltd. Partnership Manager  Margaret C.B. & S. Spencer Brown Foundation, Inc. President, Director  Spencer Brown Sr.'s Family Partnership, Ltd. Partnership Manager  The McClane Brown Family Foundation Secretary & Treasurer  Simmons Giles Plantation, LLC Manager  Stanton Boyce Brown Family, Ltd. Partnership Manager  Diamond Tail Ranch, LLC Manager    Stanton Boyce Brown Partners, LLC Manager	53.99%	N/A	Extraco Capital, LLC (67.4%)
Len McClane Brown USA	Waco, TX, Investments	N/A	N/A	N/A	6.09%	N/A	N/A
Margaret Brown Lewis Dallas, TX, USA	Investments	N/A	N/A	N/A	5.82%	N/A	N/A
J. Keet Lewis Dallas, TX, USA	Investments	N/A	N/A	Lewis Group Intl, Co-Founder & Managing Director  Allied Special Operations Group, LLC, Co-Founder & Co-Managing Member	0.27%	N/A	Lewis Group Intl (100%)  Allied Special Operations Group, LLC (50%)
Maria Stanton Brown Sattler Puyallup, WA	Investments	N/A	N/A	N/A	6.90%	N/A	N/A
David Sattler Puyallup, WA	Investments	N/A	N/A	N/A	0.14%	N/A	N/A
Rebecca Matustik Brown	Investments	N/A	N/A	Carry It Well, Owner	0.14%	N/A	Carry It Well! (100%)
John M. Burrough Temple, TX, USA	Retired Banker	Director	Extraco Banks, N.A. Director	N/A	1.08%	N/A	N/A
James Geeslin Waco, TX, USA	N/A	Director, Corporate EVP	Extraco Banks, N.A. Director, Vice Chairman	Extraco Capital, LLC Manager, Director, President  Extraco Consulting Corp Director, CEO  Extraco Technology, LLC Director, CEO	1.35%	N/A	N/A
Douglas L. Streater TX, USA	Temple, N/A	Director, Corporate EVP, Secretary & Treasurer	Extraco Banks, N.A., Director, Corp EVP, Corporate Strategy, Secretary	N/A	0.81%	N/A	N/A
Michael W. Thompson Temple, TX, USA	Retired Banker	Director	Extraco Banks, N.A. Director	N/A	0.54%	N/A	N/A
Gary H. Miller TX, USA	Waco, N/A	Corporate EVP, CFO, Assistant Treasurer	Extraco Delaware Corporation, Advisory Director, Treasurer, Asst. Secretary  Extraco Banks, N.A., Director, Corp EVP, CFO, Treasurer, Asst. Secretary	N/A	0.27%	N/A	N/A
Chris Kincaid Waco, TX, USA	N/A	Corporate EVP, Assistant Secretary	Extraco Delaware Corporation Advisory Director, Secretary  Extraco Banks, N.A., Director, Corp EVP, Corporate Strategy, Secretary	Extraco Capital, LLC Director, Secretary & Treasurer  Extraco Consulting Corp Director, Secretary & Treasurer  Extraco Technology, LLC Director, Secretary & Treasurer	0.14%	N/A	N/A

Form FR Y-6

Extraco Delaware Corporation  
 Dover, Delaware  
 Fiscal Year Ending December 31, 2020

Report Item 4: Insiders

(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	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)
S. Boyce Brown Waco, TX, USA	N/A	Director, Chairman, President & CEO	Extraco Banks, N.A. Director, Executive Chairman	Extraco Corporation Director, President, Chairman & CEO Extraco Capital, LLC Chairman, CEO & Manager Extraco Technology Chairman & Director Extraco Consulting Chairman & Director Brown Partnership C, Ltd. Partnership Manager Margaret C.B. & S. Spencer Brown Foundation, Inc. President, Director Spencer Brown Sr.'s Family Partnership Manager The McClane Brown Family Foundation Secretary & Treasurer Simmons Giles Plantation, LLC Manager Stanton Boyce Brown Family, Ltd. Partnership Manager Diamond Tail Ranch, LLC Manager Stanton Boyce Brown Partners, LLC Manager	N/A	N/A	Extraco Corporation 60.08% Extraco Capital, LLC 67.4%
Extraco Corporation Waco, Texas	N/A	N/A	N/A	N/A	100.00%	N/A	N/A
Gary H. Miller TX, USA	Waco, N/A	Advisory Director, Treasurer & Asst. Secretary	Extraco Banks, N.A. Director, Corp EVP, CFO, Treasurer & Asst. Secretary	Extraco Corporation Corporate EVP, CFO, Asst.	N/A	N/A	N/A
			Extraco Banks, N.A. Director		N/A	0.27%	N/A
Chris Kincaid TX, USA	Waco, N/A	Advisory Director, Secretary	Extraco Banks, N.A., Director, Corp EVP, Corporate Strategy, Secretary	Extraco Corporation Corporate EVP, Asst. Secretary Extraco Capital, LLC Director, Secretary & Treasurer Extraco Consulting Corp Director, Secretary & Treasurer Extraco Technology, LLC Director, Secretary & Treasurer	N/A	N/A	N/A
					N/A	0.14%	N/A