

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, Bruce Stephens

Name of the Holding Company Director and Official

Chairman of The Board, Director and President

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.*

Bruce Stephens

Signature of Holding Company Director and Official

03/23/2021

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

First Graham Bancorp, Inc

Legal Title of Holding Company

623 Elm Street

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

Graham

TX

76450

City

State

Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Justin Farmer

Secretary

Name

Title

940 549-2040 Ext. 633

Area Code / Phone Number / Extension

940 549-2397

Area Code / FAX Number

justin.farmer@cierabank.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

In accordance with the General Instructions for this report (check only one),

- 1. a letter justifying this request is being provided along with the report
- 2. a letter justifying this request has been provided separately ...

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

## For Use By Tiered Holding Companies

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

---

Legal Title of Subsidiary Holding Company

---

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

---

City State Zip Code

---

Physical Location (if different from mailing address)

---

---

Legal Title of Subsidiary Holding Company

---

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

---

City State Zip Code

---

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

---

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

---

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

---

Physical Location (if different from mailing address)

---

**FIRST GRAHAM BANCORP, INC.  
AND SUBSIDIARIES**

CONSOLIDATED  
FINANCIAL STATEMENTS

YEARS ENDED  
DECEMBER 31, 2020 AND 2019



CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

To the Audit Committee of  
The Board of Directors of  
First Graham Bancorp, Inc. and Subsidiaries  
Graham, Texas

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of First Graham Bancorp, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

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

*Eide Bailly LLP*

Abilene, Texas  
March 5, 2021

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and due from banks	\$ 160,899,032	\$ 45,768,037
Securities available for sale	62,135,696	61,551,637
Loans	533,859,796	490,258,138
Allowance for loan losses	<u>(8,581,043)</u>	<u>(8,342,291)</u>
Net loans	525,278,753	481,915,847
Premises and equipment, net	13,385,511	13,777,372
Cash value life insurance	17,085,426	16,653,073
Foreclosed assets	25,661	287,861
Goodwill	5,977,855	5,977,855
Restricted investments, carried at cost	3,422,443	3,017,143
Accrued interest receivable	2,428,515	2,459,324
Other assets	<u>1,163,196</u>	<u>1,104,846</u>
Total assets	<u>\$ 791,802,088</u>	<u>\$ 632,512,995</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Demand deposits	\$ 218,114,644	\$ 166,026,347
Savings, NOW and money market deposits	260,985,377	210,202,433
Time deposits	<u>181,625,963</u>	<u>172,071,808</u>
Total deposits	660,725,984	548,300,588
Advances from Federal Home Loan Bank	40,000,000	-
Guaranteed preferred beneficial interest in junior subordinated debentures	6,186,000	6,186,000
Accrued interest payable	565,348	747,959
Other liabilities	<u>7,082,052</u>	<u>5,735,515</u>
Total liabilities	714,559,384	560,970,062
Commitments and contingencies (Note 15 and 16)		
Shareholders' equity:		
Capital stock, \$.50 par value, 1,500,000 shares authorized, 411,186 issued, with 1,132 shares held in treasury in 2020 and 2019	205,593	205,593
Capital surplus	10,391,983	10,391,983
Retained earnings	63,388,193	59,635,431
Accumulated other comprehensive income	<u>3,523,139</u>	<u>1,576,130</u>
Treasury stock, at cost	<u>77,508,908</u> <u>(266,204)</u>	<u>71,809,137</u> <u>(266,204)</u>
Total shareholders' equity	<u>77,242,704</u>	<u>71,542,933</u>
Total liabilities and shareholders' equity	<u>\$ 791,802,088</u>	<u>\$ 632,512,995</u>

The accompanying notes are an integral part of this statement.

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

	<u>2020</u>	<u>2019</u>
Interest income:		
Loans (including fees)	\$ 30,489,363	\$ 28,016,561
Interest (net of amortization and accretion) on investment securities:		
Taxable	168	4,035
Tax-exempt	1,539,365	1,476,477
Other restricted investments	114,417	123,781
Federal funds sold	-	1,250
Deposits with other financial institutions	<u>285,416</u>	<u>869,856</u>
Total interest income	32,428,729	30,491,960
Interest expense:		
Deposits	5,522,620	5,189,368
Other borrowings	<u>806,246</u>	<u>462,805</u>
Total interest expense	<u>6,328,866</u>	<u>5,652,173</u>
Net interest income	26,099,863	24,839,787
Reduction in loan losses	<u>-</u>	<u>1,337,953</u>
Net interest income after reduction in loan losses	26,099,863	26,177,740
Other income:		
Trust income	497,451	622,360
Service charges on deposit accounts	336,468	498,646
Other service charges and fees	707,201	705,273
(Loss) gain on sale of foreclosed assets	43,365	(22,488)
Net realized gain on securities	-	58,278
Earnings on cash value life insurance	432,353	425,139
Rental income	419,662	417,868
Other	<u>51,203</u>	<u>68,683</u>
Total other income	2,487,703	2,773,759
Other expense:		
Salaries and employee benefits	10,480,985	10,172,244
Equipment and occupancy expense	2,285,261	2,358,448
Computer services	1,273,888	1,179,210
Legal and professional fees	703,888	504,671
Settlement	1,250,000	-
Write-down on foreclosed assets	-	258,802
Other	<u>2,382,432</u>	<u>2,132,407</u>
Total other expense	<u>18,376,454</u>	<u>16,605,782</u>
Net income	<u>\$ 10,211,112</u>	<u>\$ 12,345,717</u>

The accompanying notes are an integral part of this statement.

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

	<u>2020</u>	<u>2019</u>
Net income	\$ 10,211,112	\$ 12,345,717
Other comprehensive income:		
Change in unrealized appreciation on securities available for sale	1,947,009	1,519,008
Adjustment for gains realized on securities available for sale and included in net income	<u>-</u>	<u>58,278</u>
Total other comprehensive income	<u>1,947,009</u>	<u>1,577,286</u>
Total comprehensive income	<u>\$ 12,158,121</u>	<u>\$ 13,923,003</u>

The accompanying notes are an integral part of this statement.



FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance, December 31, 2018	\$ 205,593	\$10,391,983	\$ 54,363,145	\$ (1,156)	\$ (266,204)	\$ 64,693,361
Net income	-	-	12,345,717	-	-	12,345,717
Unrealized appreciation on securities available for sale	-	-	-	1,577,286	-	1,577,286
Distributions to shareholders (\$17.25 per share)	-	-	(7,073,431)	-	-	(7,073,431)
Balance, December 31, 2019	205,593	10,391,983	59,635,431	1,576,130	(266,204)	71,542,933
Net income	-	-	10,211,112	-	-	10,211,112
Unrealized appreciation on securities available for sale	-	-	-	1,947,009	-	1,947,009
Distributions to shareholders (\$15.75 per share)	-	-	(6,458,350)	-	-	(6,458,350)
Balance, December 31, 2020	<u>\$ 205,593</u>	<u>\$10,391,983</u>	<u>\$ 63,388,193</u>	<u>\$ 3,523,139</u>	<u>\$ (266,204)</u>	<u>\$ 77,242,704</u>

The accompanying notes are an integral part of this statement.

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income	\$ 10,211,112	\$ 12,345,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation	596,421	652,627
Reduction in loan losses	-	(1,337,953)
Loss (gain) on sales of foreclosed assets	(43,365)	22,488
Net realized gain on securities	-	(58,278)
Premium amortization net of discount accretion on securities	455,520	502,952
Write-down on foreclosed assets	-	258,802
Net increase in cash value life insurance	(432,353)	(377,894)
(Increase) decrease in accrued interest receivable	30,809	(208,474)
Increase in other assets	(58,350)	(251,269)
Increase (decrease) in accrued interest payable	(182,611)	362,729
Increase in other liabilities	1,346,537	270,357
Total adjustments	<u>1,712,608</u>	<u>(163,913)</u>
Net cash provided by operating activities	11,923,720	12,181,804
Cash flows from investing activities:		
Proceeds from sales and maturities of available-for-sale securities	110,230,050	111,304,298
Purchase of available-for-sale securities	(109,322,620)	(116,116,440)
Net increase in restricted investments, carried at cost	(405,300)	(49,400)
Net increase in loans	(43,501,249)	(40,121,907)
Capital expenditures	(204,560)	(136,557)
Proceeds from sales of foreclosed assets	<u>443,908</u>	<u>715,647</u>
Net cash used by investing activities	(42,759,771)	(44,404,359)
Cash flows from financing activities:		
Net increase in demand deposits	52,088,297	532,626
Net increase in savings, NOW and money market deposits	50,782,944	11,333,430
Net increase in time deposits	9,554,155	55,355,387
Federal Home Loan Bank advances and repayments	40,000,000	(10,000,000)
Distributions to shareholders	<u>(6,458,350)</u>	<u>(7,073,431)</u>
Net cash provided by financing activities	<u>145,967,046</u>	<u>50,148,012</u>
Net increase in cash and due from banks	115,130,995	17,925,457
Cash and due from banks, beginning of year	<u>45,768,037</u>	<u>27,842,580</u>
Cash and due from banks, end of year	<u>\$ 160,899,032</u>	<u>\$ 45,768,037</u>

The accompanying notes are an integral part of this statement.

FIRST GRAHAM BANCORP, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

1. **Summary of significant accounting policies**

The accounting policies of First Graham Bancorp, Inc. (the Company) and subsidiaries conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The Company was incorporated for the purpose of becoming a bank holding company and provides full banking services.

Ciera Bank generates commercial (including agricultural), mortgage and consumer loans and receives deposits from customers primarily in Young, Jack, Palo Pinto, Stephens, Denton, Tarrant, Parker, Collin and Dallas counties and the surrounding areas.

**Consolidation and ownership** - The consolidated financial statements include the accounts of First Graham Bancorp, Inc. and its wholly owned subsidiaries, 1<sup>st</sup> in Graham Co. and Ciera Bank. All the capital stock of First Security Bank, N.A. (FSB) and West Side Bank and Trust (WSBT) was merged into First National Bank in Graham (FNB) prior to conversion to a state chartered bank. FNB made application with the Texas Department of Banking to become a Texas state chartered bank. The application was approved and conversion was as of December 6, 2013. Upon conversion the name was changed to Ciera Bank. All material intercompany accounts and transactions have been eliminated upon consolidation.

First Graham Statutory Trust I (Trust), a statutory trust created under the laws of the state of Delaware, is not consolidated and the investment in the trust is carried in other assets at \$186,000, in accordance with authoritative guidance. The Trust is a wholly-owned trust subsidiary of the Company. (See Note 8.)

**Restrictions on cash and due from banks** - Under regulations promulgated by the Federal Reserve Board, the Company was required to maintain average reserve balances with the Federal Reserve Bank. The amounts of those reserve balances were \$0 as of December 31, 2020 and 2019.

**Investment securities** - Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as available for sale or held to maturity. Securities available for sale are those securities which the Company may decide to sell prior to their maturity in response to change in interest rates, liquidity needs, or for other purposes. Securities available for sale are reported at fair value. The net unrealized gain or loss on securities available for sale is reported as accumulated other comprehensive income, a separate component of shareholders' equity, until realized. Securities held to maturity are securities which the Company has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at amortized cost. Management is no longer classifying security purchases as held to maturity.

Amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to call or maturity, whichever is earlier, or in the case of mortgage-backed securities, over the estimated life of the securities, computed by the interest method. Realized gains (losses) on securities available for sale are included in other income and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on the sale of securities are determined on a trade date basis, using the specific identification method.

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. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the

intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The Company's investment portfolio consists of traditional investments, primarily in U.S. Agency securities, obligations of U.S. government sponsored enterprises and agencies, mortgage pass-through securities, corporate stock, mutual funds and general obligation municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third party pricing services to value its investment securities. The Company reviews the prices supplied by the independent pricing services as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The Company validates quarterly, on a sample basis, prices supplied by the independent pricing services by comparison to prices obtained from other third party sources.

**Loans and allowance for loan losses** - Ciera Bank (the Bank) grants commercial, agricultural, residential and consumer loans to customers primarily in Young, Jack, Palo Pinto, Stephens, Denton, Tarrant, Parker, Collin and Dallas counties and surrounding areas. Although the Bank has a diversified loan portfolio, their debtors' ability to honor their contracts is substantially dependent upon the general economic conditions of the region. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses. Interest is recognized over the term of the loan and is accrued on the unpaid principal balance.

The Company has certain lending policies and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis and makes changes as appropriate. Management receives and reviews periodic reports related to loan originations, quality, concentrations, delinquencies, nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geographic location.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and effectively. Underwriting standards are designed to determine whether the borrower possesses sound business ethics and practices and to evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory and include personal guarantees.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. These agricultural loans are based primarily on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most agricultural loans are secured by the agriculture related assets being financed, such as farm land, cattle or equipment and include personal guarantees.

Residential and commercial real estate loans are subject to underwriting standards and processes similar to commercial and agricultural loans. These loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. The repayment of real estate loans is generally largely dependent on the successful operation of the property securing the loans, the business conducted on the property securing the loan, or the cash flow of the borrower for residential real estate loans. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's real estate portfolio are generally diverse in terms of type and geographic location. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry. Generally, real estate loans are owner occupied which further reduces the Company's risk.

Consumer loan underwriting utilizes methodical credit standards and analysis to supplement the Company's underwriting policies and procedures. The Company's loan policy addresses types of consumer loans that may be originated and the collateral, if secured, which must be perfected. The

relatively small individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimize the Company's risk.

The allowance consists of specific and general allocation components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. 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 Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectability of those portfolios. The allowance on certain homogeneous loan portfolios is based on aggregated portfolio segment evaluations. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Company's residential and commercial real estate portfolios are comprised primarily of homogeneous loans secured by residential and commercial real estate. The amount of losses incurred in the homogeneous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. The Company estimates how many of the homogeneous loans will default based on the individual loans' attributes aggregated into pools of homogeneous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include the loan-to-value, borrower credit score, months since origination, geography and present collection status. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment.

The allowance on the remaining portfolio segments (agriculture, commercial and consumer) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity and other financial and qualitative factors. These factors are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large, single defaults.

Although we believe we use the best information available to make loan loss allowance determinations, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making our initial determinations. A further downturn in the economy and employment could result in increased levels of non-performing assets and charge-offs, increased loan provisions and reductions in income. Additionally, bank regulatory agencies periodically review our allowance for loan losses and could require additions to the loan loss allowance based on their judgment on information available to them at the time of their examination.

Nonperforming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable the scheduled payments of principal or interest will be uncollectible 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 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 for collateral-dependent loans.

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.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject to a restructuring agreement.

The outstanding balance of residential real estate and real estate secured loans that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell, is determined utilizing appraisals or broker opinions of the fair value of the collateral. The outstanding balance of loans within the remaining loan segments (agriculture, commercial and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value. The fair value of the collateral is estimated by management based on current financial information, inspections and appraisals. For unsecured loans, the outstanding balance is written off.

Loans within all portfolio segments, except consumer, are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. Accrued interest receivable is reversed when a loan is placed on nonaccrual status. Interest collections on nonaccrual loans are applied as principal reductions. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans whose contractual terms have been modified in a TDR and are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and repayment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

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

**Premises and equipment** - Land is carried at cost and premises and equipment are stated at cost less accumulated depreciation. Gains and losses on sales and retirements are reflected in current operations. Depreciation for financial reporting purposes is computed based on the estimated useful lives of assets using the straight-line method. Costs incurred for maintenance and repair are expensed currently. Depreciation expense for the years ended December 31, 2020 and 2019 was \$596,421 and \$652,627, respectively.

**Bank owned life insurance** - Bank owned life insurance (BOLI) represents life insurance on the lives of certain employees and former employees who have provided positive consent allowing the Company to be the beneficiary of such policies. These policies are recorded at their cash surrender value, or the amount that can be realized upon surrender of the policy. Income from these policies and changes in the cash surrender value are recorded in earnings on cash value life insurance under other income.

**Other assets** - The Company accounts for business combinations under the purchase method of accounting. Tangible and intangible assets and liabilities of the acquired entity are recorded at fair value on the purchase date. Intangible assets with finite useful lives continue to be amortized and goodwill and intangible assets with indefinite lives are not amortized but instead tested for impairment in accordance with authoritative guidance. Impairment testing is performed annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses which gave rise to such amount. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. There was no impairment recorded for the years ended December 31, 2020 or 2019.

The Bank, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. The stock is carried at \$2,373,800 and \$1,968,500 as of December 31, 2020 and 2019, respectively and is included in Restricted investments. FHLB stock was pledged as collateral for FHLB advances. (See Note 7.)

The Company also holds The Independent BankersBank and Federal Reserve stock totaling \$722,800 and \$325,843, respectively, as of December 31, 2020 and 2019. There is no readily determinable fair value and there are contractual restrictions on the sale or transfer of the stocks. These stocks are carried at cost in Restricted investments and evaluated for declines in value.

**Foreclosed assets** - Assets acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, property held for sale is carried at the lower of the new cost basis or fair value less cost to sell and depreciation is not recorded. Impairment losses on property to be held and used are measured at the amount by which the carrying amount of the property exceeds its fair value and depreciated based on the remaining useful life. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write downs are recorded as a charge to other real estate expense, if necessary, to reduce the carrying value of the property to the lower of cost or fair value minus estimated costs to sell.

The Company records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of foreclosed assets to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

**Long-term assets** - Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

**Loan origination fees and costs** - Fees and costs associated with originating loans are recognized in income generally in the period in which fees were received and/or costs were incurred. Under generally accepted accounting principles, such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of the yield. For the two years presented in the statements of income,

management believes not deferring such fees and costs and amortizing them over the life of the related loans does not materially affect the Company's financial position or results of operations.

**Transfers of assets** - The Company accounts for transfers of financial assets by recognizing the financial assets it controls and the liabilities it has incurred, derecognized financial assets when control has been surrendered and derecognized liabilities when extinguished. The statement also distinguishes transfers of financial assets that are sales from transfers of financial assets that are secured borrowings.

**Service Charges on Deposit Accounts** - The Company earns fees from its deposit customers for transaction-based fees, account-maintenance, and overdraft services. Transaction-based fees, which include services related to insufficient funds and stop payment charges and statement rendering are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relates primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Other service charges and fees: The Company earns fees from wire and ACH charges that are recognized when the transaction is executed.

The Company also earns fees on ATM and credit card transaction when the transaction is executed. Fees and customer awards related to these transactions are netted against the income and shown net in this line item on the consolidated statement of income.

**Off-balance-sheet financial instruments** - In the ordinary course of business the Bank has entered into off-balance-sheet financial instruments consisting of stand-by letters of credit and commitments on lines of credit. Such financial instruments are recorded in the financial statements when they are funded. Guarantees that are not derivative contracts are to be recorded on the Company's consolidated statement of financial condition at their fair value at inception, in accordance with authoritative guidance. For the two years presented in the consolidated balance sheets, management believes not recording the liability related to guarantees does not materially affect the Company's financial position or results of operations.

**Trust services** - Assets held by the Company in fiduciary or agency capacities for customers are not included in the accompanying statements of condition, since such items are not assets of the Company. Fees and expenses associated with providing trust services are included in the statements of income.

The Company earns trust fees from its contracts with trust customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of the assets under management (AUM) at month-end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e., the trade date.

**Profit sharing plan** - The Company has a 401-K deferred compensation plan available to all eligible employees. The Company contributions amounted to \$349,070 and \$301,784 in 2020 and 2019, respectively, which is included in salaries and employee benefits expense.

**Advertising and promotions expense** - Advertising and promotion costs are expensed as incurred. Total advertising and promotions expense for the years ended December 31, 2020 and 2019 was \$164,035 and \$273,013, respectively.

**Significant group concentrations of credit risk** - Most of the Company's activities are with customers located in Young, Jack, Palo Pinto, Stephens, Tarrant, Denton, Parker, Collin and Dallas counties and the surrounding areas. Notes 2 and 3 discuss the types of securities the Company invests in and the



types of lending the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States. As such, interest bearing, non-transaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits. Management believes that the risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks and counterparty financial institutions. The Company has not experienced any losses in such accounts. In monitoring this risk, the Company periodically evaluates the stability of the financial institutions with which it has deposits. At December 31, 2020 and 2019, the deposits, as reported by banks, were \$51,561,973 and \$18,992,651, respectively.

**Federal income taxes** - The Company and its subsidiaries have elected S corporation status and, as such, will no longer be liable for federal income taxes. Earnings and losses are included in the personal income tax returns of the shareholders and taxed depending on their personal tax structure. The Company is subject to the State of Texas tax on taxable margin. The margin tax was immaterial for the years ended December 31, 2020 and 2019. The tax is current and does not have a deferred tax component. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017 or Texas state tax examination by tax authorities for years before 2016. The Company recognizes interest accrual on and penalties related to unrecognized tax positions in tax expense. During the year ended December 31, 2020 the Company recognized no interest and penalties.

**Cash and cash equivalents** - For purposes of presentation in the statements of cash flows, cash and cash equivalents include cash on hand, and amounts due from banks, including interest-bearing deposits in banks with an original maturity of three months or less.

**Compensated absences** - Compensated absences for short-term disability pay have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

**Adoption of Accounting Standards Codification Topic 606** - As of January 1, 2019, the Company adopted the provisions of FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Company's revenues come from interest income and other sources, including loans, and securities, that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within Other income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits, interchange income and the sale of foreclosed assets.

**Use of estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

**Date of management's review of subsequent events** - Management has evaluated subsequent events through March 5, 2021, the date which the consolidated financial statements were available to be issued.

## 2. Investment securities

The amortized cost and estimated market value of securities as shown in the consolidated financial statements at December 31, 2020 and 2019 are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
Available-for-sale securities				
<u>2020</u>				
State and municipal securities	\$ 58,612,557	\$ 3,530,011	\$ 6,872	\$ 62,135,696
Total	<u>\$ 58,612,557</u>	<u>\$ 3,530,011</u>	<u>\$ 6,872</u>	<u>\$ 62,135,696</u>
<u>2019</u>				
Mortgage-backed securities	\$ 51	\$ -	\$ -	\$ 51
State and municipal securities	<u>59,975,456</u>	<u>1,630,175</u>	<u>54,045</u>	<u>61,551,586</u>
Total	<u>\$ 59,975,507</u>	<u>\$ 1,630,175</u>	<u>\$ 54,045</u>	<u>\$ 61,551,637</u>

Securities at amortized cost of approximately \$33,549,789 at December 31, 2020 and \$29,754,296 at December 31, 2019 were pledged to secure public deposits and for other purposes required or permitted by law. Estimated market values of pledged securities were \$35,491,015 and \$30,514,101 at December 31, 2020 and 2019, respectively.

The amortized cost and estimated market value of securities at December 31, 2020, by contractual maturity and expected maturity, are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty.

	<u>Available for Sale</u>	
	<u>Amortized Cost</u>	<u>Estimated Market Value</u>
Due in one year or less	\$ 677,855	\$ 683,175
Due one to five years	9,127,112	9,381,226
Due five to ten years	6,507,362	6,902,675
Due after ten years	<u>42,300,228</u>	<u>45,168,620</u>
	<u>\$ 58,612,557</u>	<u>\$ 62,135,696</u>

Proceeds from sales of available-for-sale securities during 2020 were \$1,225,000. Gross gains of \$0 and gross losses of \$0 were realized on sales. Proceeds from sales of available-for-sale securities during 2019 were \$5,924,228. Gross gains of \$65,976 and gross losses of \$7,698 were realized on sales.

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:

	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>	
	<u>Gross Unrealized Losses</u>	<u>Market Value</u>	<u>Gross Unrealized Losses</u>	<u>Market Value</u>
Available-for-sale securities				
<u>2020</u>				
State and municipal securities	\$ 2,115	\$ 1,579,606	\$ 4,757	\$ 270,732
	<u>\$ 2,115</u>	<u>\$ 1,579,606</u>	<u>\$ 4,757</u>	<u>\$ 270,732</u>
<u>2019</u>				
State and municipal securities	\$ 54,045	\$ 6,514,479	\$ -	\$ -
	<u>\$ 54,045</u>	<u>\$ 6,514,479</u>	<u>\$ -</u>	<u>\$ -</u>

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 Company 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, the 4 debt securities with unrealized losses have depreciated approximately 0.37% from the Company's amortized cost basis. These securities are guaranteed by the U.S. Government, other governments, or municipalities. 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 management 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.

### 3. Loans

Loans at December 31, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Residential real estate	\$ 107,089,859	\$ 104,817,234
Agriculture	19,123,934	13,397,782
Commercial real estate	308,580,316	286,009,436
Commercial	84,247,709	66,946,461
Consumer and other	14,806,527	18,486,234
Overdrafts	11,451	600,991
Total loans	<u>533,859,796</u>	<u>490,258,138</u>
Allowance for loan losses	<u>(8,581,043)</u>	<u>(8,342,291)</u>
Net loans	<u>\$ 525,278,753</u>	<u>\$ 481,915,847</u>

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2020:

	<u>Residential Real Estate</u>	<u>Agriculture</u>	<u>Commercial Real Estate</u>	<u>Commercial</u>	<u>Consumer and Other</u>	<u>Total</u>
<u>Allowance for loan losses</u>						
Beginning balance	\$ 1,318,302	\$ 117,829	\$ 5,642,127	\$ 1,016,684	\$ 247,349	\$ 8,342,291
Provision	15,847	48,951	452,620	(485,271)	(32,147)	-
Recoveries	-	-	7,779	261,861	9,174	278,814
Charge-offs	-	-	-	(13,123)	(26,939)	(40,062)
Ending balance	<u>\$ 1,334,149</u>	<u>\$ 166,780</u>	<u>\$ 6,102,526</u>	<u>\$ 780,151</u>	<u>\$ 197,437</u>	<u>\$ 8,581,043</u>
Ending balance allocated to loans individually evaluated for impairment	\$ -	\$ -	\$ -	\$ 20,000	\$ 17,759	\$ 37,759
Ending balance allocated to loans collectively evaluated for impairment	<u>\$ 1,334,149</u>	<u>\$ 166,780</u>	<u>\$ 6,102,526</u>	<u>\$ 760,151</u>	<u>\$ 179,678</u>	<u>\$ 8,543,284</u>

#### Loans receivable

Ending balance allocated to loans individually evaluated for impairment	\$ 1,763,948	\$ 122,136	\$ 3,528,415	\$ 75,373	\$ 17,759	\$ 5,507,631
Ending balance allocated to loans collectively evaluated for impairment	<u>105,325,911</u>	<u>19,001,798</u>	<u>305,051,901</u>	<u>84,172,336</u>	<u>14,800,219</u>	<u>528,352,165</u>
Ending balance	<u>\$107,089,859</u>	<u>\$ 19,123,934</u>	<u>\$ 308,580,316</u>	<u>\$ 84,247,709</u>	<u>\$ 14,817,978</u>	<u>\$ 533,859,796</u>

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2019:

	<u>Residential Real Estate</u>	<u>Agriculture</u>	<u>Commercial Real Estate</u>	<u>Commercial</u>	<u>Consumer and Other</u>	<u>Total</u>
<u>Allowance for loan losses</u>						
Beginning balance	\$ 1,798,402	\$ 102,116	\$ 5,743,677	\$ 1,748,412	\$ 192,315	\$ 9,584,922
Provision	(480,100)	15,713	(135,865)	(798,038)	60,337	(1,337,953)
Recoveries	-	-	34,315	214,949	17,622	266,886
Charge-offs	-	-	-	(148,639)	(22,925)	(171,564)
Ending balance	<u>\$ 1,318,302</u>	<u>\$ 117,829</u>	<u>\$ 5,642,127</u>	<u>\$ 1,016,684</u>	<u>\$ 247,349</u>	<u>\$ 8,342,291</u>
Ending balance allocated to loans individually evaluated for impairment	\$ -	\$ -	\$ 11,764	\$ -	\$ 7,779	\$ 19,543
Ending balance allocated to loans collectively evaluated for impairment	<u>\$ 1,318,302</u>	<u>\$ 117,829</u>	<u>\$ 5,630,363</u>	<u>\$ 1,016,684</u>	<u>\$ 239,570</u>	<u>\$ 8,322,748</u>

	<u>Residential Real Estate</u>	<u>Agriculture</u>	<u>Commercial Real Estate</u>	<u>Commercial</u>	<u>Consumer and Other</u>	<u>Total</u>
<u>Loans receivable</u>						
Ending balance allocated to loans individually evaluated for impairment	\$ 127,069	\$ -	\$ 32,064	\$ -	\$ 7,779	\$ 166,912
Ending balance allocated to loans collectively evaluated for impairment	<u>104,690,165</u>	<u>13,397,782</u>	<u>285,977,372</u>	<u>66,946,461</u>	<u>19,079,446</u>	<u>490,091,226</u>
Ending balance	<u>\$104,817,234</u>	<u>\$ 13,397,782</u>	<u>\$ 286,009,436</u>	<u>\$ 66,946,461</u>	<u>\$ 19,087,225</u>	<u>\$ 490,258,138</u>

The Company monitors credit quality within its portfolio segments based on primary credit quality indicators. All of the Company's loans are evaluated using pass rated or specific allocation as the primary credit quality indicator. The term specific allocation refers to those loans that are internally classified or listed by the Company as special mention, substandard, doubtful or loss. These assets pose an elevated risk and may have a high probability of default or total loss.

The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the rating on credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

Credits rated loss are those that are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Pass rated refers to loans that are not considered criticized. In addition to this primary credit quality indicator, the Company uses other credit quality indicators for certain types of loans.

The following table sets forth information regarding the internal classification of the loan portfolio:

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
<u>December 31, 2020</u>						
Residential real estate	\$ 98,244,052	\$ 7,267,698	\$ 1,578,109	\$ -	\$ -	\$ 107,089,859
Agriculture	19,001,798	122,136	-	-	-	19,123,934
Commercial real estate	294,993,661	13,162,217	424,438	-	-	308,580,316
Commercial	84,172,336	-	75,373	-	-	84,247,709
Consumer and other	14,800,219	-	17,759	-	-	14,817,978
	<u>\$ 511,212,066</u>	<u>\$ 20,552,051</u>	<u>\$ 2,095,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 533,859,796</u>
<u>December 31, 2019</u>						
Residential real estate	\$ 103,136,216	\$ -	\$ 1,681,018	\$ -	\$ -	\$ 104,817,234
Agriculture	13,397,782	-	-	-	-	13,397,782
Commercial real estate	277,837,793	7,410,019	761,624	-	-	286,009,436
Commercial	58,827,452	8,119,009	-	-	-	66,946,461
Consumer and other	19,079,446	-	7,779	-	-	19,087,225
	<u>\$ 472,278,689</u>	<u>\$ 15,529,028</u>	<u>\$ 2,450,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490,258,138</u>

The following table sets forth information regarding accruing delinquencies within the loan portfolio:

	<u>30-89 Days Past Due</u>	<u>90 Days and Greater</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans</u>
<u>December 31, 2020</u>					
Residential real estate	\$ 7,470	\$ -	\$ 7,470	\$ 107,082,389	\$ 107,089,859
Agriculture	-	-	-	19,123,934	19,123,934
Commercial real estate	-	-	-	308,580,316	308,580,316
Commercial	-	-	-	84,247,709	84,247,709
Consumer and other	33,879	-	33,879	14,784,099	14,817,978
	<u>\$ 41,349</u>	<u>\$ -</u>	<u>\$ 41,349</u>	<u>\$ 533,818,447</u>	<u>\$ 533,859,796</u>
<u>December 31, 2019</u>					
Residential real estate	\$ 1,578,260	\$ 25,224	\$ 1,603,484	\$ 103,213,750	\$ 104,817,234
Agriculture	229,523	-	229,523	13,168,259	13,397,782
Commercial real estate	869,771	-	869,771	285,139,665	286,009,436
Commercial	1,615	-	1,615	66,944,846	66,946,461
Consumer and other	16,918	-	16,918	19,070,307	19,087,225
	<u>\$ 2,696,087</u>	<u>\$ 25,224</u>	<u>\$ 2,721,311</u>	<u>\$ 487,536,827</u>	<u>\$ 490,258,138</u>

The following table sets forth information regarding the nonaccrual status within the loan portfolio:

	<u>2020</u>	<u>2019</u>
Residential real estate	\$ 1,659,933	\$ 127,069
Agriculture	122,136	-
Commercial real estate	17,759	32,064
Commercial	-	-
Consumer and other	-	<u>7,779</u>
	<u>\$ 1,799,828</u>	<u>\$ 166,912</u>

The following table sets forth information regarding impaired loans with a related allowance:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
<u>December 31, 2020</u>					
Residential real estate	\$ 1,763,948	\$ 1,774,504	\$ -	\$ 945,509	\$ -
Agriculture	122,136	122,136	-	61,068	-
Commercial real estate	3,528,415	3,528,416	-	1,780,240	108,416
Commercial	75,373	75,373	20,000	37,687	-
Consumer and other	<u>17,759</u>	<u>24,569</u>	<u>17,759</u>	<u>12,769</u>	<u>-</u>
	<u>\$ 5,507,631</u>	<u>\$ 5,524,998</u>	<u>\$ 37,759</u>	<u>\$ 2,837,273</u>	<u>\$ 108,416</u>
	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
<u>December 31, 2019</u>					
Residential real estate	\$ 127,069	\$ 132,965	\$ -	\$ 63,535	\$ -
Agriculture	-	-	-	-	-
Commercial real estate	32,064	36,726	11,764	1,047,068	89,606
Commercial	-	-	-	680,312	-
Consumer and other	<u>7,779</u>	<u>7,779</u>	<u>7,779</u>	<u>3,890</u>	<u>-</u>
	<u>\$ 166,912</u>	<u>\$ 177,470</u>	<u>\$ 19,543</u>	<u>\$ 1,794,804</u>	<u>\$ 89,606</u>

At December 31, 2020 the Company had impaired loans totaling \$5,414,499 with no related allowance. At December 31, 2019 the Company had impaired loans totaling \$127,069 with no related allowance. The Company has no commitments to loan additional funds to the borrowers of impaired or nonaccrual loans.

As of December 31, 2020, and 2019, the Bank has a recorded investment in troubled debt restructuring of \$5,215,287 and \$3,600,030, respectively. The Company has allocated \$0 of specific allowance for those loans at December 31, 2020 and 2019 and has not committed to lend additional amounts. Troubled debt restructurings are the result of extending amortization periods, reducing contractual interest rates, or a combination thereof. The Company did not grant principal reductions on any restructured loans.

The following table sets forth information regarding modifications within the loan portfolio of troubled debt restructuring during the year ended December 31, 2020.

	Number of loans	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Modification
Troubled Debt Restructuring				
Residential real estate	3	\$ 1,695,952	\$ 1,686,871	Payment extension
	<u>3</u>	<u>\$ 1,695,952</u>	<u>\$ 1,686,871</u>	

There were no loans modified during the year ended December 31, 2019. Loans that met certain requirements modified due to the economic effects of COVID-19 might not be categorized as TDRs. The Coronavirus Aid, Relief, and Economic Security Act provides banks the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs for a limited period of time to account for the effects of COVID-19.

There were no subsequent payment defaults occurring within 12 months from the date of the restructuring of any of the loans classified as troubled debt restructurings. The Company has no commitments to loan additional funds to borrowers whose loans have been modified. None of the loan modifications had a material impact on the calculation of the allowance for loan losses.

#### 4. Premises and equipment

	2020	2019
Land	\$ 3,679,903	\$ 3,679,903
Building and improvements	16,607,586	16,601,486
Furniture and equipment	5,464,513	5,414,984
Construction in progress	<u>151,148</u>	<u>5,190</u>
	25,903,150	25,701,563
Accumulated depreciation and amortization	<u>(12,517,639)</u>	<u>(11,924,191)</u>
	<u>\$ 13,385,511</u>	<u>\$ 13,777,372</u>

#### 5. Foreclosed assets

A summary of the balance of foreclosed assets at year end is presented below:

	2020	2019
Residential real estate	\$ 25,661	\$ 25,661
Commercial real estate	<u>-</u>	<u>262,200</u>
	<u>\$ 25,661</u>	<u>\$ 287,861</u>

#### 6. Time deposits

The aggregate amount of time deposits that meet or exceed the FDIC limits of \$250,000 or more was \$61,108,378 and \$55,797,136 at December 31, 2020 and 2019, respectively. Interest expense on time deposits totaled \$4,094,122 in 2020 and \$3,430,102 in 2019.



At December 31, 2020 scheduled maturities of time deposits are as follows:

2021	\$ 102,962,100
2022	39,691,363
2023	9,166,560
2024	26,504,101
2025	<u>3,301,839</u>
	<u>\$ 181,625,963</u>

#### 7. **Advances from Federal Home Loan Bank**

The Company has a secured line of credit with the FHLB in the amount of \$244,578,103 at December 31, 2020 and \$201,184,555 at December 31, 2019, which is secured by FHLB stock, deposit accounts with the FHLB, and a blanket lien on its outstanding loan portfolio.

The Company had outstanding borrowings of \$40,000,000 and \$0 from the FHLB at December 31, 2020 and 2019, respectively, consisting of advances to provide the Bank funding for fixed-rate mortgage loans and various other loans. These advances had an interest rate of 0.838% at December 31, 2020. In connection with the total borrowings, the Bank agreed to secure the advances with a blanket-floating lien. They granted the FHLB collateral in first lien mortgage residential loans, FHLB stock, and deposit accounts with the FHLB. These advances mature on March 16, 2021.

#### 8. **Subordinated debentures**

In September 2004, the Company completed the private placement of \$6,186,000 in subordinated debentures to First Graham Statutory Trust I (Trust). The Trust funded the purchase of the subordinated debentures through the sale of trust preferred securities to Preferred Term Securities XV, Ltd. with a liquidation value of \$6,186,000. Using interest payments made by the Company on the debentures, the Trust began paying quarterly dividends to preferred security holders on December 20, 2004. The annual percentage rate of the interest payable on the subordinated debentures and distributions payable on the preferred securities had an initial rate of 4.17% and is variable at 3-Month LIBOR plus an interest factor, not to exceed the maximum rate permitted by New York law, making the rate 2.539% and 4.208% as of December 31, 2020, and 2019, respectively. Dividends on the preferred securities are cumulative and the Trust may defer the payments for up to five years. The preferred securities mature on September 30, 2034 unless the Company elects and obtains regulatory approval to accelerate the maturity date.

Interest expense incurred on the subordinated debentures for the years ended December 31, 2020 and 2019 was \$198,529 and \$298,820, respectively.

Subordinated debt may be included in regulatory Tier 1 capital subject to a limitation that such amounts not exceed 25.00% of Tier 1 capital. The remainder of subordinated debt is included in Tier II capital. There is no limitation for inclusion of subordinated debt in total risk-based capital and, as such, all subordinated debt was included in total risk-based capital.

#### 9. **Treasury stock**

Treasury stock is shown at cost and consists of 1,132 shares in 2020 and 2019, of Company common stock.

## 10. **Bank owned life insurance and deferred compensation**

The Company has invested in cost recovery life insurance. Policies were purchased with various carriers on the lives of certain executive officers and directors participating in the deferred compensation plan (Plan). The Bank is the sole owner and beneficiary of the life insurance policies. The amount of coverage is designed to provide sufficient revenues to fund said Plan and the policy death benefit also indemnifies the Bank against the death benefit provision of the Plan.

At December 31, 2020 and 2019, the accrued deferred compensation payable is \$3,547,398 and \$3,396,934 respectively, and the cash surrender value of the life insurance is \$17,085,426 and \$16,653,073, respectively.

Executive officers and directors participating in the Plan can defer a portion of their compensation. The Company agreed to pay interest on the balance of deferred funds, to be adjusted every five years. Interest was 7% at December 31, 2020 and 2019. In addition, the agreements were amended to allow directors, as of January 2004, the option to defer 100% of their compensation. The Company may elect to match the deferred compensation of executive officers up to 50%, not to exceed \$4,000 annually. In 2014, a director deferral plan was offered to directors who had not previously been participating in a plan. The new Plan allows directors to defer fees up to \$12,000 per year and is the same in all other respects.

## 11. **Regulatory matters**

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2020 and 2019 that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2020, the Bank's capital ratios exceed those levels necessary to be categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification which management believes would change the Bank's category.

Beginning January 1, 2015, community banking organizations became subject to a new regulatory rule recently adopted by federal banking agencies (commonly referred to Basel III). The new rule establishes a new regulatory capital framework that incorporates revisions to the Basel capital framework, strengthens the definition of regulatory capital, increases risk-based capital requirements, and amends the methodologies for determining risk-weighted organizations. Basel III includes a multiyear transition period from January 1, 2015 through December 31, 2020.

Management believes that as of December 31, 2020, the Bank would meet all capital requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future. There are no conditions or events since the notification that management believes

have changed the Bank's category. The Bank's actual capital amounts and ratios and minimum amounts and ratios as calculated under regulatory accounting practices are presented in the following table.

	Actual		Minimum capital required - Basel III fully phased-in with 2.5% buffer		Required to be considered well capitalized	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
As of December 31, 2020	(dollars in thousands)					
Total Capital to Risk						
Weighted Assets:						
Ciera Bank	\$ 80,457	13.60%	\$ 62,104	10.5%	\$ 59,147	10.0%
Tier I Capital to Risk						
Weighted Assets:						
Ciera Bank	73,049	12.35	50,275	8.5	47,318	8.0
Common Equity Tier 1 Capital (CETI) to Risk						
Weighted Assets:						
Ciera Bank	73,049	12.35	41,403	7.0	38,446	6.5
Tier I Capital to Average Total Assets:						
Ciera Bank	73,049	9.33	31,302	4.0	39,128	5.0
As of December 31, 2019						
Total Capital to Risk						
Weighted Assets:						
Ciera Bank	\$ 76,611	13.21%	\$ 60,899	10.5%	\$ 57,999	10.0%
Tier I Capital to Risk						
Weighted Assets:						
Ciera Bank	69,348	11.96	49,299	8.5	46,399	8.0
Common Equity Tier 1 Capital (CETI) to Risk						
Weighted Assets:						
Ciera Bank	69,348	11.96	40,599	7.0	37,699	6.5
Tier I Capital to Average Total Assets:						
Ciera Bank	69,348	11.08	25,041	4.0	31,301	5.0

## 12. Lease commitments

The Company has entered into various non-cancelable lease agreements expiring at various times through December 31, 2047. The Company leases additional property and equipment on a quarterly or monthly basis. Rental expense for all the operating leases for the years ended December 31, 2020 and 2019 was \$268,609 and \$209,619, respectively.

Approximate future minimum lease payments are as follows:

2021	\$ 280,546
2022	209,978
2023	138,034
2024	123,088
2025 and thereafter	<u>2,560,205</u>
	<u>\$ 3,311,851</u>

### 13. Related-party transactions

Ciera Bank has entered into agreements with 1<sup>st</sup> in Graham Co. to lease certain banking facilities. The lease provides for a term of twelve months, renewable January 1 of each year. All leases are accounted for as operating leases and are eliminated upon consolidation. Net rent expense paid to 1<sup>st</sup> in Graham Co. by Ciera Bank amounted to \$24,000 in 2020 and 2019.

The aggregate amount of loans owed to Ciera Bank by directors, officers, and employees amounted to approximately \$11,627,316 and \$8,219,282 at December 31, 2020 and 2019, respectively. During 2020, new loans to such related parties amounted to \$3,892,705 and repayments amounted to \$484,671. During 2019, new loans to such related parties amounted to \$1,398,236 and repayments amounted to \$1,222,251. All transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

Ciera Bank held deposits of \$2,974,532 and \$9,633,864 for executive officers and directors at December 31, 2020 and 2019, respectively.

Each year, the Company retains various legal counsel. Fees paid to related party legal counsel were immaterial in 2020 and 2019. Director and committee fees paid totaled \$375,100 and \$394,800 during 2020 and 2019, respectively. Deferred fees included in the above totaled \$141,600 and \$150,200 in 2020 and 2019, respectively.

### 14. Statements of cash flows

Supplemental cash flow information for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Cash transactions:		
Interest paid	\$ 6,511,477	\$ 5,289,444
Noncash investing and financing activities:		
Change in unrealized security values	1,947,009	1,577,286
Other assets acquired through foreclosure	138,343	452,511
Property transferred from premises and equipment to foreclosed assets	-	366,429

### 15. Commitments and contingencies

In the normal course of business, the Company is involved in various other legal proceedings. Management has concluded, based upon advice of counsel, that the result of these proceedings will not have a material effect on the Company's financial condition or results of operations.

The Securities and Exchange Commission filed a complaint against the Ciera Bank customer William Neil "Doc" Gallagher, Gallagher Financial Group, Inc. and W. Neil Gallagher, Ph.D. Agency (Defendants). The Receiver in the SEC lawsuit subsequently obtained an assignment of claims against Ciera from 190 persons who had invested monies with the Defendants named in the SEC lawsuit and filed suit against Ciera Bank asserting claims against Ciera for fraudulent transfer, money had and received, alleged aiding and abetting securities fraud under the Texas Securities Act, and negligence. Ciera Bank denied any liability or wrongdoing with respect to the Receiver, the Receivership Assets or the Investors. However, in order to settle the claims asserted by the Receiver without further litigation and to avoid uncertainty as to additional expenses, Ciera Bank agreed to pay the Receiver \$1,250,000 in full and complete settlement

in December in 2020, and it was recognized as an expense in the earnings of the organization at that time. The settlement was subsequently approved by the Receivership Court and paid in January 2021.

#### 16. **Financial instruments with off-balance sheet risk**

Ciera Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include stand-by letters of credit and commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The Bank's exposure to credit loss in the event of nonperformance is represented by the contractual amount of those instruments. The Bank has not been required to perform on any financial guarantees and have not incurred any losses on their commitments in either 2020 or 2019.

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. 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 uses the same credit policies in making commitments and conditional obligations as they do for on-balance-sheet instruments. 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, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income producing commercial properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

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. Those guarantees are issued primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy of obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit. Since many of the letters of credit and loan commitments may expire without being drawn upon, the total contract amount does not necessarily represent future cash requirements. The distribution of commitments on lines of credit approximates the distribution of loans outstanding.

Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, considering the difference between current levels of interest rates and the committed rates and the counterparties' credit standing. The fair value of these financial instruments is considered insignificant. Additionally, these financial instruments have no carrying value.

The total amounts of financial instruments with off-balance-sheet risk as of December 31, 2020 are as follows:

	<u>Contract Amount</u>
Commitments on lines of credit	\$ 143,614,151
Stand-by letters of credit	6,623,957

#### 17. **Fair value measurement**

Authoritative guidance 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.

Authoritative guidance 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 costs). 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, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

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

Level 2 inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These 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 (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs - Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities available for sale - Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, credit information and the security's term and conditions, among other things.

Impaired loans - Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 or Level 3 inputs based on third party or internally developed appraisals.

Foreclosed assets - These assets are reported at estimated fair value, less estimated selling costs. Fair value is based on third party or internally developed appraisals considering the assumptions in the valuation and are considered Level 2 or Level 3 inputs.

At December 31, 2020 and 2019 the Company had no financial liabilities measured at fair value on a recurring basis.

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities available for sale:				
<u>2020</u>				
State and municipal securities	\$ 62,135,696	\$ -	\$ 62,135,696	\$ -
	<u>\$ 62,135,696</u>	<u>\$ -</u>	<u>\$ 62,135,696</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities available for sale:				
<u>2019</u>				
Mortgage-backed securities	\$ 51	\$ -	\$ 51	\$ -
State and municipal securities	<u>61,551,586</u>	<u>-</u>	<u>61,551,586</u>	<u>-</u>
	<u>\$ 61,551,637</u>	<u>\$ -</u>	<u>\$ 61,551,637</u>	<u>\$ -</u>

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following represents the carrying value of financial assets and financial liabilities measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2020</u>			
Foreclosed assets	\$ -	\$ 25,661	\$ -
Impaired loans	-	-	5,469,872
<u>2019</u>			
Foreclosed assets	\$ -	\$ 287,861	\$ -
Impaired loans	-	-	147,369

During the year ended December 31, 2020, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of \$5,507,631 were reduced by specific valuation allowance allocations totaling \$37,759 to a total reported fair value of \$5,469,872 based on collateral valuations utilizing Level 3 valuation inputs.

During the year ended December 31, 2019, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of \$166,912 were reduced by specific valuation allowance allocations totaling \$19,543 to a total reported fair value of \$147,369 based on collateral valuations utilizing Level 3 valuation inputs.

The following table represents the Bank's Level 3 financial assets and liabilities, the valuation techniques used to measure the fair value of those financial assets and liabilities, and the significant unobservable inputs and the ranges of values for those inputs:

	<u>Fair Value at</u>		<u>Principal Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
	<u>2020</u>	<u>2019</u>			
Impaired loans	\$ 5,469,872	\$ 147,369	Appraisal of collateral	Appraisal adjustments	10-30%

Resulting gains and/or losses on foreclosed assets are included under other income or other expenses, respectively.

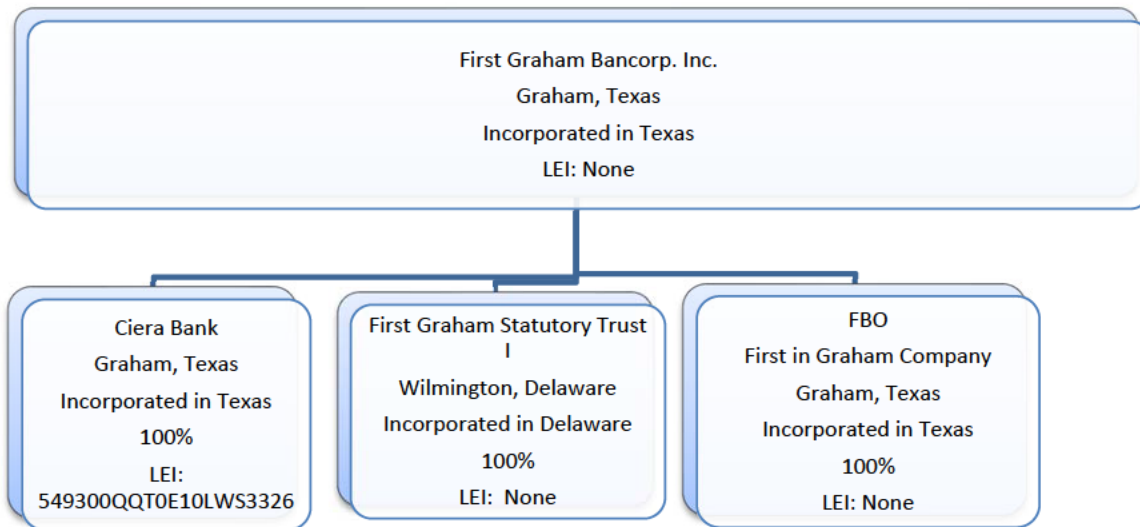
Foreclosed real estate is valued at the time the loan is foreclosed upon and the asset is transferred to foreclosed assets. The value is based primarily on third party appraisals, less costs to sell. Appraisals based upon comparable sales result in Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from time of valuation, and/or management's expertise and knowledge of the client and client's business. Foreclosed real estate is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The Company did not change the methodology used to determine fair value for any financial instruments during the years ended December 31, 2020 or 2019. Accordingly, for any given class of financial instruments, the Company did not have any transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2020 or 2019.



**Report Item 2a: Organizational Chart**  
**12/31/20**

Ciera Bank, First Graham Statutory Trust I and First in Graham Company are all 100% owned by parent, First Graham Bancorp, Inc.



**Results:** A list of branches for your depository institution: **CIERA BANK (ID\_RSSD: 327855)**.  
 This depository institution is held by **FIRST GRAHAM BANCORP, INC. (1107700)** of **GRAHAM, TX**.  
 The data are as of **12/31/2020**. Data reflects information that was received and processed through **01/05/2021**.

**Reconciliation and Verification Steps**

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

**Actions**

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

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

**Submission Procedure**

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	327855	CIERA BANK	623 ELM STREET	GRAHAM	TX	76450	YOUNG	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	3448368	ALEDO BRANCH	301 S FM 1187	ALEDO	TX	76008	PARKER	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	3541997	AUBREY BRANCH	958 SOUTH HIGHWAY 377	AUBREY	TX	76227	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	2603423	BRYSON BRANCH	300 EAST DEMPSEY STREET	BRYSON	TX	76427	JACK	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	4498520	DENTON BRANCH	321 WEST OAK STREET	DENTON	TX	76201	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	114756	FLOWER MOUND BRANCH	1801 CROSS TIMBERS ROAD	FLOWER MOUND	TX	75028	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	827953	FORT WORTH BRANCH	1501 SUMMIT AVENUE	FORT WORTH	TX	76102	TARRANT	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
OK		Full Service	3541979	HICKORY CREEK BRANCH	3970 FM-2181, SUITE 100	HICKORY CREEK	TX	75065	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	

**Form FR Y-6**  
**First Graham Bancorp, Inc.**  
**Graham, Texas**  
**Fiscal Year Ending 12/31/2020**

**Report Item 3: Securities holders**

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

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020					Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2020		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities			(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Stanley H. Peavy, Jr. Graham, TX, USA	USA	11,928	2.93%	Common	N/A	N/A	N/A
Sandra Peavy Graham, TX, USA	USA	3,446	0.84%	Common	N/A	N/A	N/A
Emily Peavy Bryant Graham, TX, USA	USA	260	0.06%	Common	N/A	N/A	N/A
Phillip Ross Peavy Fort Worth, TX, USA	USA	260	0.06%	Common	N/A	N/A	N/A
Robert Preston Peavy Rockwall, TX, USA	USA	260	0.06%	Common	N/A	N/A	N/A
<sup>1</sup> Cecilia Ann Peavy Hindman Dallas, TX, USA	USA	22,809	5.56%	Common	N/A	N/A	N/A
<span style="background-color: black; color: black;">██████████</span> , Minor Cecilia Ann Peavy Hindman, Guardian Dallas, TX, USA	USA	260	.06%	Common	N/A	N/A	N/A

**Form FR Y-6**  
**First Graham Bancorp, Inc.**  
**Graham, Texas**  
**Fiscal Year Ending 12/31/2020**

**Report Item 3: Securities holders**  
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020					Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2020		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities		

██████████, Minor Cecilia Ann Peavy Hindman, Guardian Dallas, TX, USA					USA	260	.06%	Common	N/A	N/A	N/A
---	--	--	--	--	-----	-----	------	--------	-----	-----	-----

<sup>2</sup> Richard Kyle Peavy Graham, TX, USA					USA	42,000	10.25%	Common	N/A	N/A	N/A
--	--	--	--	--	-----	--------	--------	--------	-----	-----	-----

<sup>3</sup> Stanley H. Peavy, III Fort Worth, TX, USA					USA	24,858	6.06%	Common	N/A	N/A	N/A
---	--	--	--	--	-----	--------	-------	--------	-----	-----	-----

Ivy Challen Peavy Fort Worth, TX, USA					USA	260	.06%	Common	N/A	N/A	N/A
--	--	--	--	--	-----	-----	------	--------	-----	-----	-----

Stanley H. Peavy, IV Fort Worth, TX, USA					USA	260	.06%	Common	N/A	N/A	N/A
---	--	--	--	--	-----	-----	------	--------	-----	-----	-----

<sup>1</sup> Includes 14,000 shares held in trust for Stanley H. Peavy, III.

<sup>2</sup> Includes 14,000 shares held in trust for Cecilia Ann Peavy Hindman. and 14,000 shares held in trust for Brian F. Peavy and 4,652 shares held in Brian F. Peavy Bank Stock Trust

<sup>3</sup> Includes 14,000 shares held in trust for Richard Kyle Peavy.

<b>TOTAL PEAVY FAMILY</b>						<b>106,861</b>	<b>26.06%</b>	<b>Common</b>			
---------------------------	--	--	--	--	--	----------------	---------------	---------------	--	--	--

**Form FR Y-6**  
**First Graham Bancorp, Inc.**  
**Graham, Texas**  
**Fiscal Year Ending 12/31/2020**

**Report Item 3: Securities holders**  
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020	Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2020
---	--

(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name City, State, Country or Incorporation	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
--	--	--	---	--	--

Charles A. Rosebrough, III Graham, TX, USA	USA	28,511    7.01%    Common	N/A	N/A	N/A
---	-----	---------------------------	-----	-----	-----

Nancy King Rosebrough Graham, TX, USA	USA	28,511    7.01%    Common	N/A	N/A	N/A
--	-----	---------------------------	-----	-----	-----

<sup>4</sup> Jane Rosebrough Gilcrease Graham, TX, USA	USA	15,189    3.73%    Common	N/A	N/A	N/A
---	-----	---------------------------	-----	-----	-----

<sup>5</sup> Charles A. Rosebrough, IV Fort Worth, TX, USA	USA	15,794    3.88%    Common	N/A	N/A	N/A
---	-----	---------------------------	-----	-----	-----

<sup>6</sup> Mary Rosebrough Fort Worth, TX, USA	USA	15,188    3.73%    Common	N/A	N/A	N/A
---	-----	---------------------------	-----	-----	-----

<sup>4</sup> Includes 7,250 shares held in trust for Mary Rosebrough.	
<sup>5</sup> Includes 7,250 shares held in trust for Jane Rosebrough Gilcrease.	
<sup>6</sup> Includes 7,250 shares held in trust for Charles A. Rosebrough, IV.	25.36

<b>TOTAL ROSEBROUGH FAMILY</b>	<b>103,193</b>	<b>25.36%</b>	<b>Common</b>
--------------------------------	----------------	---------------	---------------

**Form FR Y-6**  
**First Graham Bancorp, Inc.**  
**Graham, Texas**  
**Fiscal Year Ending 12/31/2020**

**Report Item 3: Securities holders**  
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020					Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2020		
(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities			(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Paige Stephens Jenson Overland Park, KS, USA	USA	2,000	0.49%	Common	N/A	N/A	N/A
Jain Stephens Ranft Graham, TX, USA	USA	2,812	0.69%	Common	N/A	N/A	N/A
Kara Stephens Rariden Fort Worth, TX, USA	USA	4,000	0.98%	Common	N/A	N/A	N/A
Bruce Stephens Graham, TX, USA	USA	46,658	11.47%	Common	N/A	N/A	N/A
Drake Stephens Graham, TX, USA	USA	5,313	1.31%	Common	N/A	N/A	N/A
Ronald D. Stephens Graham, TX, USA	USA	2,725	0.67%	Common	N/A	N/A	N/A
<b>TOTAL STEPHENS FAMILY</b>		<b>63,508</b>	<b>15.61%</b>	<b>Common</b>			

Form FR Y-6

First Graham Bancorp, Inc.  
Graham, Texas  
Fiscal Year Ending 12/31/2020

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	(Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (including subsidiary name) *	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)
Bruce Stephens Graham, TX USA	Rancher	Chairman, President, & Director	Chairman - Ciera Bank		11.47%	N/A	
			President, Director First in Graham Co				
			Vice Pres, Director First Graham Statutory Trust				
				Pres- M-B Co of Graham		N/A	M-B Company of Graham 98%
				Partner Graham Rathole Services, Inc		N/A	Graham Rathole Services, Inc 34%
				Pres Stepco Transportation, Inc.		N/A	Stepco Transportation, Inc. 50%
				Owner B & B Fertilizer		N/A	B & B Fertilizer 100%
				VP Tucker & Stephens Bulldozers		N/A	Tucker & Stephans Bulldozers 28%
				Owner Oliver Pharmacy, LLC		N/A	Oliver Pharmacy, Inc. 50%
				Owner RBS Investments		N/A	RBS Investments 34%
				Owner M-B Medical Leasing, Inc		N/A	M-B Medical Leasing, Inc 50%
Ronald D. Stephens Graham, TX USA	Attorney	Principal Securities Holder	N/A	Pres Wes Mor Drilling, Inc.	0.67%	N/A	Wes Mor Drilling, Inc. 11.25%
(father of Bruce Stephens)							
Drake Stephens Graham, TX USA (brother of Bruce Stephens)	Trucking	Principal Securities Holder	N/A	VP RBS Investments	1.31%	N/A	RBS Investments 33%

Form FR Y-6

First Graham Bancorp, Inc.  
Graham, Texas  
Fiscal Year Ending 12/31/2020

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	(Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (including subsidiary name) *	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)
				VP Graham Rathole, Inc.			Graham Rathole Services, Inc 33%
Jain Stephens Ranft Graham, TX USA  (sister of Bruce Stephens)	Office Manager	Principal Securities Holder	N/A	VP RBS Investments	0.69%	N/A	RBS Investments 33%
				VP Graham Rathole, Inc.			Graham Rathole Services, Inc 33%
Kara Stephens Rariden Fort Worth, TX USA (Daughter of Bruce Stephens)	Attorney	Principal Securities Holder	N/A	Step Den Associates, LLC Member	0.49%	N/A	Step Den Associates, LLC 33%
				Pres- Motu Group, Inc, President		N/A	Motu Group, Inc 100%
				Mgr- Lease Tanglewood, LLC		N/A	Lease Tanglewood, LLC 50%
Paige Stephens Jensen Overland Park, KS USA (Daughter of Bruce Stephens)	Homemaker	Principal Securities Holder	N/A	Owner Step Den Associates	0.49%	N/A	Step Den Associates 33%
				Owner Step Den Olympus			Step Den Olympus 33%
				Owner Step Den Carlton, LLC			Step Den Carlton, LLC 33%
				Owner Step Den Lancaster, LLC			Step Den Lancaster, LLC 33%
				Owner Step Den Main, LLC			Step Den Main, LLC 33%
<b>Total Stephens Family Ownership</b>							
<b>15.61%</b>							



Form FR Y-6

First Graham Bancorp, Inc.  
Graham, Texas  
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (including subsidiary name) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
1 Richard Kyle Peavy Graham, TX USA (Son of Stanley H. Peavy, Jr)	Banker	VP & Director	VP- First In Graham Company  VP- First Graham Statutory Trust Exec VP- Ciera Bank	Partner-DAP Partnership	10.25%	N/A	DAP Partnership 25%
Emily Peavy Bryant Graham, TX USA (Daughter of Richard Kyle Peavy)	Nurse Practitioner	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Robert Preston Peavy Rockwall, TX USA (Son of Richard Kyle Peavy)	Police Officer	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Phillip Ross Peavy Fort Worth, TX USA (Son of Richard Kyle Peavy)	Banker/Operations	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Stanley H. Peavy, Jr Graham, TX USA	Investor	Principal Securities Holder	N/A	N/A	2.93%	N/A	N/A

Form FR Y-6

First Graham Bancorp, Inc.  
Graham, Texas  
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (including subsidiary name) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
(Father of Richard Kyle Peavy, Stanley H. Peavy, III and Cecilia Ann Peavy Hindman, Brian F. Peavy and husband of Sandra Peavy.)							
Sandra Peavy  Graham, TX USA (Mother of Richard Kyle Peavy, Stanley H. Peavy, III and Cecilia Ann Peavy Hindman, Brian F. Peavy & wife of Stanley H. Peavy, Jr.)	Homemaker	Principal Securities Holder	N/A	N/A	0.84%	N/A	N/A
2 Stanley H. Peavy, III, Fort Worth, TX USA (Son of Stanley H. Peavy, Jr.)	Attorney	Principal Securities Holder	Director- Ciera Bank	Owner - Peavy Law Firm	6.06%	N/A	Peavy Law Firm 100%
Stanley H. Peavy, IV Fort Worth, TX USA  (Son of Stanley H. Peavy III)	Student	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
Ivy Challen Peavy Fort Worth, TX USA	Student	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A

Form FR Y-6

First Graham Bancorp, Inc.  
Graham, Texas  
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (including subsidiary name) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
(Daughter of Stanley H. Peavy, III)							
3 Cecilia Ann Peavy Hindman Dallas, TX USA (Daughter of Stanley H. Peavy, Jr.	Attorney	Principal Securities Holder	N/A	N/A	5.56%	N/A	N/A
██████████ Dallas, TX USA (Daughter of Cecilia Ann Peavy Hindman)	(Minor)	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
██████████ Dallas, TX USA (Daughter of Cecilia Ann Peavy Hindman)	(Minor)	Principal Securities Holder	N/A	N/A	0.06%	N/A	N/A
<p>7 Includes 14,000 shares held in trust for Cecilia Ann Peavy Hindman. and 14,000 shares held in trust for Brian F. Peavy and 4,652 shares held in Brian F. Peavy Bank Stock Trust</p> <p>2 Includes 14,000 shares held in trust for Richard Kyle Peavy</p> <p>3 Includes 14,000 shares held in trust for Stanley H. Peavy, III</p>							
<p><b>Total Peavy Family Ownership</b> <b>26.06%</b></p>							
Charles A. Rosebrough, III Graham, TX USA	Rancher, Oil & Gas Producer	Vice Pres & Director	Vice Pres- First In Graham Company		7.01%	N/A	

Form FR Y-6

First Graham Bancorp, Inc.  
Graham, Texas  
Fiscal Year Ending 12/31/2020

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	(Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (including subsidiary name) *	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)
			Pres- First Graham Statutory Trust				
			Director - Ciera Bank				
				Member - SWD Dexter #1, LLC			SWD Dexter #1, LLC 100%
				Member - West Arch Producers, LLC			West Arch Producers, LLC 50%
				Pres - Graham Source Corp, Inc.			Graham Source Corp, Inc 50%
				Partner- King Rosebrough Partners, LTD			25% General Partnership Int
				Partner- Tarrant Oil & Gas Producers			Tarrant Oil & Gas Producers 66%
				Member- KRP FW 2014, LLC			KRP FW 2014, LLC 100%
				Member- TO&GP, LLC			TO&GP, LLC 25%
				6300 Ridge O & G, LLC Member			6300 Ridge O & G 50%
Nancy King Rosebrough Graham, TX USA (Wife of Charles A. Rosebrough, III)	Homemaker	Principal Securities Holder	N/A	N/A	7.01%	N/A	N/A
<sup>4</sup> Jane Rosebrough Gilcrease Graham, TX USA (Daughter of Charles A. Rosebrough, III)	Homemaker	Principal Securities Holder	N/A	N/A	3.73%	N/A	N/A
				Member - 809@Vickery Event Venue			809@Vickery Event Venue 50%

Form FR Y-6

First Graham Bancorp, Inc.  
Graham, Texas  
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) (Subs are 100% Owned by FGB) Percentage of Voting Securities in Subsidiaries (including subsidiary name) *	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
5 Mary Rosebrough Ft Worth, TX USA (Daughter of Charles A. Rosebrough, III)	Homemaker	Principal Securities Holder	N/A	N/A	3.73%	N/A	N/A
				Member - 809@Vickery Event Venue			809@Vickery Event Venue 50%
6 Charles A. Rosebrough, IV. Ft Worth, TX USA ( Son of Charles A. Rosebrough, III)	Banker	Principal Securities Holder	VP, Sr Credit Analyst - Ciera Bank	N/A	3.88%	N/A	N/A
				Member - West Arch Producers, LLC			West Arch Producers, LLC 50%
4 Includes 7,250 shares held in trust for Mary Rosebrough.							
5 Includes 7,250 shares held in trust for Charles A. Rosebrough, IV							
6 Includes 7,250 shares held in trust for Jane Rosebrough Gilcrease							
<b>Total Rosebrough Family Ownership - 25.36%</b>							