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, Frank Morris
Name of the Holding Company Director and Official

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

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

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

Signature of Holding Company Director and Official

08/09/2021
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

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

December 31, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Red River Bancorp, Inc.
Legal Title of Holding Company

P.O. Box 10
(Mailing Address of the Holding Company) Street / P.O. Box

Gainesville	TX	76241-0010
City	State	Zip Code

801 E. California Street Gainesville, Texas 76240
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Brian McCain	Director & Treasurer
Name	Title

940-668-4344
Area Code / Phone Number / Extension

940-668-4330
Area Code / FAX Number

Brian.McCain@FirstState.Bank
E-mail Address

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

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

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

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

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

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

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FORM FR Y-6

RED RIVER BANCORP, INC.
December 31, 2020

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RED RIVER BANCORP, INC.
December 31, 2020

REPORT ITEM 1: ANNUAL REPORT TO SHAREHOLDERS

The audited consolidated financial statements for Red River Bancorp, Inc. and subsidiaries as of and for the years ended December 31, 2020 and 2019 are attached.

RED RIVER BANCORP, INC.
AND SUBSIDIARY

Consolidated Financial Statements
and Additional Information

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

The Board of Directors
Red River Bancorp, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Red River Bancorp, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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 Red River Bancorp, Inc. and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting and Other Regulatory Requirements

Internal Control over Financial Reporting and Compliance

We also have audited in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in the Internal *Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2021 expressed an unmodified opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued reports dated February 24, 2021 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Payne & Smith, LLC

February 24, 2021

RED RIVER BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2020 and 2019

(In Thousands, Except for Share Amounts)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 102,122	$ 35,097
Securities available for sale	442,620	386,913
Loans held for sale	14,472	7,166
Loans held for investment	691,030	622,630
Bank premises and equipment	53,158	52,166
Intangible assets	433	542
Goodwill	12,883	12,883
Cash surrender value of life insurance	14,744	15,139
Other assets	13,988	15,589
	$ 1,345,450	$ 1,148,125
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 527,220	$ 397,552
Interest bearing	671,832	627,326
Total deposits	1,199,052	1,024,878
Other borrowings	8,312	9,563
Other liabilities	12,025	10,803
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, $10 par value, 2,000,000 shares authorized, 200,000 shares issued, and 172,106 shares outstanding at December 31, 2020 and 2019	2,000	2,000
Paid-in capital	18,987	18,987
Retained earnings	104,927	94,844
Accumulated other comprehensive income (loss)	3,539	(10,158)
	129,453	105,673
Obligation of Employee Stock Option Trust (ESOP)	(600)	-
Treasury stock, at cost	(2,792)	(2,792)
Total stockholders' equity	126,061	102,881
	$ 1,345,450	$ 1,148,125

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Income

For the Years Ended December 31, 2020 and 2019

(In Thousands)

	2020	2019
Interest income:		
Interest and fees on loans	$ 38,907	$ 37,312
Interest on securities:		
Taxable	3,724	5,193
Nontaxable	3,973	3,009
Other	325	820
Total interest income	46,929	46,334
Interest expense:		
Interest on deposit accounts	2,645	6,058
Other	344	694
Total interest expense	2,989	6,752
Net interest income	43,940	39,582
Provision for loan losses	2,735	300
Net interest income after provision for loan losses	41,205	39,282
Noninterest income:		
Service charges and fees	2,686	3,052
Trust fees	689	573
Net gain on sales of securities available for sale	1,988	11
Net gain on sales of loans held for sale	8,839	4,105
Net gain on sales of other real estate owned	389	-
Other	3,768	3,039
Total noninterest income	18,359	10,780
Noninterest expense:		
Salaries and employee benefits	27,545	23,756
Occupancy of bank premises	5,773	4,138
Data processing	2,650	2,108
Legal and professional fees	878	553
Public relations	641	644
Other	7,138	6,679
Total noninterest expense	44,625	37,878
Net income	$ 14,939	$ 12,184

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

(In Thousands)

	2020	2019
Net income	$ 14,939	$ 12,184
Other comprehensive income (loss):		
Change in net unrealized gain (loss) during the year on securities available for sale	14,970	11,126
Reclassification adjustment for net gains on sales of securities available for sale included in net income	(1,988)	(11)
Net unrealized gain on securities available for sale	12,982	11,115
Change in minimum pension liability	715	(21)
Other comprehensive income	13,697	11,094
Total comprehensive income	$ 28,636	$ 23,278

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2020 and 2019

(In Thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Obligation of ESOP	Treasury Stock	Total
Balance January 1, 2019	$ 2,000	$ 18,987	$ 86,679	$ (21,252)	$ -	$ (2,792)	$ 83,622
Net income	-	-	12,184	-	-	-	12,184
Other comprehensive income	-	-	-	11,094	-	-	11,094
Dividends	-	-	(4,019)	-	-	-	(4,019)
Balance December 31, 2019	2,000	18,987	94,844	(10,158)	-	(2,792)	102,881
Loan to ESOP trust	-	-	-	-	(600)	-	(600)
Net income	-	-	14,939	-	-	-	14,939
Other comprehensive income	-	-	-	13,697	-	-	13,697
Dividends	-	-	(4,856)	-	-	-	(4,856)
Balance December 31, 2020	$ 2,000	$ 18,987	$ 104,927	$ 3,539	$ (600)	$ (2,792)	$ 126,061

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(In Thousands)

	2020	2019
Cash flows from operating activities:		
Net income	$ 14,939	$ 12,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,058	2,151
Amortization	4,896	4,970
Provision for loan losses	2,735	300
Gain on sales of loans held for sale	(8,839)	(4,105)
Net gain on sales of securities available for sale	(1,988)	(11)
Net gain on sales of other real estate owned	(431)	-
Writedowns of other real estate owned	-	51
Mortgage loans originated for sale	(273,355)	(97,896)
Proceeds from sales of mortgage loans	274,888	99,559
Net increase in cash surrender value of life insurance	(563)	(292)
Decrease (increase) in other assets	781	(619)
Increase (decrease) in other liabilities	1,937	(2,583)
Net cash provided by operating activities	18,058	13,709
Cash flows from investing activities:		
Purchases of securities available for sale	(444,703)	(280,703)
Proceeds from sales, maturities and principal reductions of securities available for sale	399,470	264,324
Net originations of loans	(71,306)	(21,309)
Net additions to bank premises and equipment	(4,050)	(11,286)
Life insurance proceeds	958	-
Proceeds from sales of other real estate owned	1,131	-
Net cash used in investing activities	(118,500)	(48,974)
Cash flows from financing activities:		
Net increase in demand deposits, NOW and savings accounts	173,039	70,496
Net increase in certificates of deposit	1,135	3,788
Net decrease in other borrowings	(1,251)	(28,947)
Loan to Employee Stock Option Trust (ESOP)	(600)	-
Cash dividends paid	(4,856)	(4,019)
Net cash provided by financing activities	167,467	41,318
Net increase in cash and cash equivalents	67,025	6,053
Cash and cash equivalents at beginning of year	35,097	29,044
Cash and cash equivalents at end of year	$ 102,122	$ 35,097

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Red River Bancorp, Inc. and Subsidiary in the preparation of its consolidated financial statements. The accounting policies conform to generally accepted accounting principles and practices generally followed within the banking industry. A description of the more significant of these policies follows.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Red River Bancorp, Inc. and its wholly owned subsidiary, First State Bank (FSB) (collectively referred to as the Company). All significant inter-company transactions and balances have been eliminated in consolidation.

Nature of Operations

The Company is principally engaged in traditional community banking activities provided through its banking offices in Cooke, Denton, Wise and Montague counties, Texas. Community banking activities include the Company's commercial and retail lending, deposit gathering and investment, and liquidity management activities. The Company also leases excess office space not used by the Bank to third parties.

Global Pandemic

The Company's business has been and continues to be impacted by the ongoing outbreak of COVID-19. In March 2020, COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the President of the United States. Efforts to limit the spread of COVID-19 have led to shelter-in place orders, the closure of non-essential businesses, travel restrictions, supply chain disruptions and prohibitions on public gatherings, among other things, throughout many parts of the United States and, in particular, the markets in which the Company operates. As the current pandemic is ongoing and dynamic in nature, there are many uncertainties related to COVID-19 including, among other things, its ultimate geographic spread; its severity; the duration of the outbreak; the impact to the Company's customers, employees and vendors; the impact to the financial services and banking industry; and the impact to the economy as a whole. COVID-19 has negatively affected, and is expected to continue to negatively affect, the Company's business, financial position and operating results. The Company's financial position is susceptible to the ability of loan customers to meet loan obligations. In light of the uncertainties, the ultimate adverse impact of COVID-19 cannot be reliably estimated at this time.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, valuation of other real estate owned, and the pension liability. While management uses available information to recognize losses on loans and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company's allowance for loan and other real estate losses. They may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

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

Cash and Cash Equivalents

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

Interest Bearing Deposits in Other Banks

Interest bearing deposits in other banks are carried at cost and generally mature within one year of purchase.

Debt Securities

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

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

Restricted Securities

Restricted securities include Federal Home Loan Bank and Federal Reserve Bank stock, which are carried at cost and are included in other assets on the consolidated balance sheets. These equity securities are restricted, in that they can only be sold back to the respective institution or another member institution at par. Therefore, they are less liquid than other marketable equity securities. The Company views its investment in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in value. No impairment has been recorded on these securities.

Loans Held for Sale

The Company originates mortgage loans both for sale and for investment purposes. The designation of mortgage loans is made by management at the time of origination. Mortgage loans designated as held for sale are stated at the lower of aggregate cost, net of discounts or premium, or estimated fair market value. Market value is based on the contract prices at which the mortgage loans will be sold or, if the loans are not committed for sale, the current market price. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Gain or loss on the sale of mortgage loans held for sale is generally determined by the difference between the carrying amounts of the related loans sold and the net proceeds thereof. Since the Company does not retain servicing on the sold loans, proceeds from loans typically include a service release premium.

The Company enters into interest rate lock commitments, which are commitments to originate mortgage loans to be held for sale, whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. Accordingly, such commitments are recorded at fair value with changes in fair value recorded in net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements and considers the difference between current levels of interest rates and the committed rates. The Company had $23,478,000 and $8,072,000 of loans in the committed pipeline at December 31, 2020 and 2019, respectively. The Company also has forward sale commitments related to these interest rate lock commitments, which are recorded at fair value with changes in fair value recorded in net gain or loss on sale of mortgage loans. The effect of these derivative instruments was insignificant at December 31, 2020 and 2019.

Loans

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

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are generally reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees associated with originating loans to the extent they exceed the direct loan origination costs are generally deferred and recognized over the life of the loan as an adjustment of yield.

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

Impaired Loans

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

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

Troubled Debt Restructured (TDR) Loans

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

COVID-19 Loan Deferments

Certain of the Company's borrowers are currently unable to meet their contractual payment obligations because of the adverse effects of COVID-19. To help mitigate these effects, loan customers may apply for a deferral of payments, or portions thereof, not to exceed six months. A portion of the Company's customers have requested such deferrals. In the absence of other intervening factors, such short-term modifications made on a good faith basis are not categorized as troubled debt restructurings, nor are loans granted payment deferrals related to COVID-19 reported as past due or placed on non-accrual status (provided the loans were not past due or on non-accrual status prior to the deferral). At December 31, 2020, there were two loans in COVID-19 related deferment with an aggregate outstanding balance of approximately $4,116,000.

Allowance for Loan Losses

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

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

Off-Balance Sheet Credit Related Financial Instruments

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

Bank Premises and Equipment

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

Foreclosed Assets

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

Intangible Assets

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability. The Company's intangible assets relate to core deposits. Intangible assets with definite useful lives are amortized over their estimated life.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. Goodwill is assigned to reporting units and evaluated for impairment at least annually, or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value.

As of December 31, 2020, the Company evaluated recent potential triggering events that might be indicators that goodwill was impaired. The events include the economic disruption and uncertainty surrounding the COVID-19 pandemic and the circumstances surrounding recent volatility in the market price of crude oil. Based on this evaluation, the Company concluded that goodwill was not more than likely impaired as of that date.

Revenue Recognition

Effective January 1, 2019, the Company adopted new policies related to revenue recognition with the adoption of Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The implementation of the new standard did not have a material impact on the measurement or recognition of revenue.

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

Income Taxes

The Company files a consolidated Federal income tax return.

The Company with the consent of its stockholders has elected to be an S corporation under the Internal Revenue Code. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Following this election the Company will generally report no federal income tax expense or benefit in its financial statements. Because the Company's stockholders are obligated to pay federal income taxes on the earnings of the Company, the Company expects to declare cash dividends sufficient to fund stockholders' tax payments as they become due in the future.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company had maintained its S corporation status and had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2017.

Advertising

Advertising consists of the Company's advertising in its local market area. Advertising is expensed as incurred. Advertising expense was approximately $1,174,000 and $1,216,000 for the years ended December 31, 2020 and 2019, respectively.

Fair Values of Financial Instruments

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

Trust Fee Income

Trust fee income is recognized generally on the cash basis in accordance with customary banking practice. This method of income recognition is not materially different from the result of using the accrual basis.

Pension Plan

ASC Topic 105, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans*, requires an employer to recognize all transactions and events affecting the overfunded or underfunded status of a defined benefit postretirement plan in comprehensive income in the year in which they occur. See also Note 11.

Loss Contingencies

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

Treasury Stock

Treasury stock is recorded at cost. At December 31, 2020 and 2019, the Company had 27,894 shares held in treasury.

Transfers of Financial Assets

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

Comprehensive Income (Loss)

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

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through February 24, 2021, the date the consolidated financial statements were available to be issued.

Reclassification

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

2. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The amendment to the Leases topic of the Accounting Standards Codification was to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amended guidance and subsequent updates require lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (i) A lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The amendment will be effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

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

In January 2017, the FASB issued Accounting Standards Update 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The update simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2022. Early application is permitted. The adoption of ASU 2017-04 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The update provides optional expedients and exceptions for accounting related to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-4 was effective upon issuance and generally can be applied through December 31, 2022. The adoption of ASU 2020-04 did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued Accounting Standards Update 2020-08, *Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs.* The update clarifies the accounting for the amortization of purchase premiums for callable debt securities with multiple call dates. ASU 2020-08 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. The adoption of ASU 2020-08 is not expected to have a material impact on the Company's consolidated financial statements.

3. Statement of Cash Flows

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

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2020 and 2019 is presented as follows (in thousands):

	2020	2019
Cash transactions:		
Interest expense paid	$ 3,059	$ 6,724
Noncash transactions:		
Net acquisition of other real estate owned	$ 171	$ 420

4. Debt and Equity Securities

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2020 and 2019 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
December 31, 2020:				
Mortgage-backed securities	$ 180,647	$ 3,096	$ 276	$ 183,467
Small business administration securities	28,501	-	1,128	27,373
State and political subdivisions	212,942	11,384	2	224,324
Corporate bonds	7,358	118	20	7,456
	$ 429,448	$ 14,598	$ 1,426	$ 442,620
December 31, 2019:				
Mortgage-backed securities	$ 203,265	$ 140	$ 1,674	$ 201,731
Small business administration securities	52,510	-	1,885	50,625
State and political subdivisions	130,948	3,765	156	134,557
	$ 386,723	$ 3,905	$ 3,715	$ 386,913

Securities with recorded values of approximately $101,417,000 and $95,926,000 at December 31, 2020 and 2019, respectively, were pledged to secure public fund deposits.

Proceeds from the sales of securities classified as available for sale were approximately $144,481,000 and $10,438,000, respectively, for the years ended December 31, 2020 and 2019. Gross gains of approximately $2,671,000 and $41,000, respectively, were recognized on sales in 2020 and 2019. Gross losses of approximately $683,000 and $30,000, respectively, were recognized on sales in 2020 and 2019.

The amortized cost and estimated fair value of debt securities at December 31, 2020 by contractual maturity are shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Securities Available for Sale		
Due in one year or less	$ 150	$ 145
Due from one year to five years	150,960	152,751
Due from five years to ten years	129,430	132,980
Due after ten years	148,908	156,744
	$ 429,448	$ 442,620

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2020 and 2019, are summarized as follows (in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale						
December 31, 2020:						
Mortgage-backed securities	$ 44,153	$ 276	$ -	$ -	$ 44,153	276
Small business adminstration securities	4,965	72	22,408	1,056	27,373	1,128
State and political subdivisions	1,334	2	-	-	1,334	2
Corporate bonds	4,230	20	-	-	4,230	20
	$ 54,682	$ 370	$ 22,408	$ 1,056	$ 77,090	$ 1,426
December 31, 2019:						
Mortgage-backed securities	$ 47,955	$ 649	$ 120,562	$ 1,025	$ 168,517	$ 1,674
Small business adminstration securities	-	-	50,625	1,885	50,625	1,885
State and political subdivisions	9,331	146	716	10	10,047	156
	$ 57,286	$ 795	$ 171,903	$ 2,920	$ 229,189	$ 3,715

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

As of December 31, 2020, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2020 and 2019, management believes the unrealized losses detailed in the table above are temporary and no impairment loss has been recognized in the Company’s consolidated income statements.

5. Loans and Allowance for Loan Losses

Loans at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Real estate:		
Construction, land development, land	$ 104,405	$ 78,121
Farmland	34,540	35,589
1-4 family residential properties	101,945	118,982
Multi-family residential	13,815	18,382
Nonfarm nonresidential owner occupied	137,723	125,433
Nonfarm nonresidential other	98,763	85,138
Total real estate	491,191	461,645
Commercial	146,357	84,827
Agricultural	20,351	18,596
Consumer	19,516	16,521
Other	23,185	48,074
	700,600	629,663
Allowance for loan losses	(9,570)	(7,033)
	$ 691,030	$ 622,630

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2020 and 2019, the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (Cares Act) was passed into law. Among other provisions, the Cares Act created the Paycheck Protection Program (PPP) for loans to small businesses to pay certain payroll, group health care benefit costs and qualifying mortgage, rent and utility payments. A second legislative act was passed into law on April 24, 2020 to provide additional funding to the PPP. The PPP is administered by the Small Business Administration (SBA). Under the PPP, a borrower may have a portion or all of its loan forgiven if the proceeds were for qualified expenditures within a "covered period." Loans deemed to meet the PPP criteria for loan forgiveness are reimbursed by the SBA. During 2020, the Bank funded approximately $98,247,000 of PPP loans and received reimbursement from the SBA of approximately $25,338,000. At December 31, 2020, the Bank had outstanding PPP loans of approximately $72,909,000 included in commercial loans. Management believes substantially all PPP loans outstanding at December 31, 2020 meet the criteria for loan forgiveness and expect to receive future reimbursement from the SBA.

Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE) for a financial institution. Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk-based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institution's total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration. At December 31, 2020 and 2019, the Bank had total commercial real estate loans of $354,706,000 and $307,074,000, respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 83% and 68% of its total risk based capital at December 31, 2020 and 2019, respectively. The Bank had non-owner occupied commercial real estate loans representing 172% and 159% of its total risk based capital for the years endings December 31, 2020 and 2019.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	Beginning Balance	Provision	Charge offs	Recoveries	Ending Balance
December 31, 2020:					
Real estate:					
Construction, land development, land	$ 787	$ 540	$ -	$ -	$ 1,327
Farmland	368	(10)	-	-	358
1-4 family residential properties	1,162	(163)	-	-	999
Multi-family residential	199	(1)	-	-	198
Nonfarm nonresidential owner occupied	1,355	516	-	-	1,871
Nonfarm nonresidential other	1,052	1,725	-	-	2,777
Total real estate	4,923	2,607	-	-	7,530
Commercial	1,228	148	(105)	-	1,271
Agricultural	193	58	(39)	-	212
Consumer	191	179	(77)	23	316
Other	498	(257)	-	-	241
	$ 7,033	$ 2,735	$ (221)	$ 23	$ 9,570
December 31, 2019:					
Real estate:					
Construction, land development, land	$ 1,013	$ (226)	$ -	$ -	$ 787
Farmland	467	(99)	-	-	368
1-4 family residential properties	1,229	(67)	-	-	1,162
Multi-family residential	372	(173)	-	-	199
Nonfarm nonresidential owner occupied	1,166	189	-	-	1,355
Nonfarm nonresidential other	784	268	-	-	1,052
Total real estate	5,031	(108)	-	-	4,923
Commercial	1,160	93	(31)	6	1,228
Agricultural	187	39	(34)	1	193
Consumer	208	10	(35)	8	191
Other	232	266	-	-	498
	$ 6,818	$ 300	$ (100)	$ 15	$ 7,033

The Company's individual ALLL allocations are established for probable losses on specific loans. The Company's general ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics and on economic conditions and other qualitative risk factors both internal and external to the Company. Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2020 and 2019 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations			
					General		
	Individually	General	Total loans	Individually	Historical	Other	Total ALLL
December 31, 2020:							
Real estate:							
Construction, land development, land	$ -	$ 104,405	$ 104,405	$ -	$ 1	$ 1,326	$ 1,327
Farmland	92	34,448	34,540	-	21	337	358
1-4 family residential properties	-	101,945	101,945	-	-	999	999
Multi-family residential	-	13,815	13,815	-	-	198	198
Nonfarm nonresidential owner occupied	136	137,587	137,723	-	-	1,871	1,871
Nonfarm nonresidential other	3,977	94,786	98,763	1,323	-	1,454	2,777
Total real estate	4,205	486,986	491,191	1,323	22	6,185	7,530
Commercial	750	145,607	146,357	328	52	891	1,271
Agricultural	-	20,351	20,351	-	12	200	212
Consumer	5	19,511	19,516	5	47	264	316
Other	-	23,185	23,185	-	14	227	241
	$ 4,960	$ 695,640	$ 700,600	$ 1,656	$ 147	$ 7,767	$ 9,570
December 31, 2019:							
Real estate:							
Construction, land development, land	$ -	$ 78,121	$ 78,121	$ -	$ 1	$ 786	$ 787
Farmland	94	35,495	35,589	-	21	347	368
1-4 family residential properties	9	118,973	118,982	-	-	1,162	1,162
Multi-family residential	-	18,382	18,382	-	-	199	199
Nonfarm nonresidential owner occupied	-	125,433	125,433	-	-	1,355	1,355
Nonfarm nonresidential other	3,978	81,160	85,138	174	-	878	1,052
Total real estate	4,081	457,564	461,645	174	22	4,727	4,923
Commercial	824	84,003	84,827	333	31	864	1,228
Agricultural	-	18,596	18,596	-	11	182	193
Consumer	11	16,510	16,521	6	21	164	191
Other	-	48,074	48,074	-	29	469	498
	$ 4,916	$ 624,747	$ 629,663	$ 513	$ 114	$ 6,406	$ 7,033

Impaired Loans

Impaired loans may include loans modified in troubled debt restructurings (TDRs) where concessions have been granted to borrowers experiencing financial difficulties. Included in impaired loans at December 31, 2020 and 2019 are $176,000 and $167,000, respectively, of performing TDRs. No significant interest income was recognized on impaired loans during 2020 and 2019, respectively. The following is a summary of information pertaining to impaired loans at December 31, 2020 and 2019 (in thousands):

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Recorded Investment Total	Related Allowance
December 31, 2020:					
Real estate:					
Construction, land development, land	$ -	$ -	$ -	$ -	$ -
Farmland	92	92	-	92	-
1-4 family residential properties	-	-	-	-	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	138	136	-	136	-
Nonfarm nonresidential other	4,237	-	3,977	3,977	1,323
Total real estate	4,467	228	3,977	4,205	1,323
Commercial	1,013	83	667	750	328
Agricultural	-	-	-	-	-
Consumer	7	1	4	5	5
Other	-	-	-	-	-
	$ 5,487	$ 312	$ 4,648	$ 4,960	$ 1,656
December 31, 2019:					
Real estate:					
Construction, land development, land	$ -	$ -	$ -	$ -	$ -
Farmland	94	94	-	94	-
1-4 family residential properties	11	9	-	9	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-	-
Nonfarm nonresidential other	3,978	-	3,978	3,978	174
Total real estate	4,083	103	3,978	4,081	174
Commercial	939	68	756	824	333
Agricultural	-	-	-	-	-
Consumer	11	5	6	11	6
Other	-	-	-	-	-
	$ 5,033	$ 176	$ 4,740	$ 4,916	$ 513

Average impaired loans during 2020 and 2019 were approximately $5,011,000 and $2,156,000, respectively.

Past Due and Nonaccrual Loans

The following is a summary of past due and nonaccrual loans at December 31, 2020 and 2019 is as follows (in thousands):

	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total Past Due and Nonaccrual
December 31, 2020:				
Real estate:				
Construction, land development, land	$ 1,322	$ -	$ -	$ 1,322
Farmland	-	-	-	-
1-4 family residential properties	1,023	-	-	1,023
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	489	-	136	625
Nonfarm nonresidential other	-	-	3,977	3,977
Total real estate	2,834	-	4,113	6,947
Commercial	994	-	667	1,661
Agricultural	17	-	-	17
Consumer	116	-	4	120
Other	-	-	-	-
	$ 3,961	$ -	$ 4,784	$ 8,745
December 31, 2019:				
Real estate:				
Construction, land development, land	$ 5,978	$ 480	$ -	$ 6,458
Farmland	700	-	-	700
1-4 family residential properties	1,639	248	9	1,896
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	419	-	-	419
Nonfarm nonresidential other	-	-	3,978	3,978
Total real estate	8,736	728	3,987	13,451
Commercial	826	-	756	1,582
Agricultural	107	-	-	107
Consumer	177	-	6	183
Other	-	-	-	-
	$ 9,846	$ 728	$ 4,749	$ 15,323

Approximately $271,000 and $110,000 of additional interest would have been recognized on nonaccrual loans if they had been on accrual status during 2020 and 2019, respectively.

As stated in Note 1, at December 31, 2020 there are approximately $4,116,000 of loans related to COVID-19 deferments that are not included in the above schedule.

Troubled Debt Restructurings

At December 31, 2020 and 2019, TDRs totaled approximately $4,728,000 and $901,000, respectively. The Company provided specific allowance allocations of approximately $1,650,000 and $513,000 relating to TDRs at December 31, 2020 and 2019, respectively.

During the year ended December 31, 2020, the Company had one commercial loan and one commercial real estate loan which were modified as TDRs. The modifications were to extend the maturity or lower the payment. The TDRs had a total principal balance of approximately $4,067,000 before and after the restructure. The restructurings did not significantly impact the determination of the allowance for loan losses. The Company had no loans which were modified as TDRs during the year ended December 31, 2019.

A TDR is considered to be in payment default once it is 30 days contractually past due under the modified terms. During the years ended December 31, 2020 and 2019, the Company had no TDRs that subsequently defaulted within twelve months following their modification.

Credit Quality Information

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

Pass

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

Special Mention

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

Substandard

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

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

As of December 31, 2020 and 2019, based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2020:					
Real estate:					
Construction, land development, land	$ 103,985	$ -	$ 420	$ -	$ 104,405
Farmland	33,842	606	92	-	34,540
1-4 family residential properties	101,860	58	27	-	101,945
Multi-family residential	13,815	-	-	-	13,815
Nonfarm nonresidential owner occupied	136,919	208	596	-	137,723
Nonfarm nonresidential other	94,005	781	3,977	-	98,763
Total real estate	484,426	1,653	5,112	-	491,191
Commercial	144,505	476	1,376	-	146,357
Agricultural	20,351	-	-	-	20,351
Consumer	19,506	-	10	-	19,516
Other	23,185	-	-	-	23,185
	$ 691,973	$ 2,129	$ 6,498	$ -	$ 700,600
December 31, 2019:					
Real estate:					
Construction, land development, land	$ 77,324	$ 373	$ 424	$ -	$ 78,121
Farmland	35,589	-	-	-	35,589
1-4 family residential properties	118,879	62	41	-	118,982
Multi-family residential	18,382	-	-	-	18,382
Nonfarm nonresidential owner occupied	125,080	-	353	-	125,433
Nonfarm nonresidential other	81,160	-	3,978	-	85,138
Total real estate	456,414	435	4,796	-	461,645
Commercial	83,897	74	856	-	84,827
Agricultural	18,596	-	-	-	18,596
Consumer	16,494	-	27	-	16,521
Other	48,074	-	-	-	48,074
	$ 623,475	$ 509	$ 5,679	$ -	$ 629,663

6. Bank Premises and Equipment

Bank premises and equipment at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Land	$ 6,076	$ 5,388
Buildings and improvements	48,906	47,816
Construction in progress	51	304
Leasehold improvements	1,840	1,667
Furniture and equipment	16,876	14,639
	73,749	69,814
Accumulated depreciation	(20,591)	(17,648)
	$ 53,158	$ 52,166

At December 31, 2020 and 2019, bank premises and equipment include approximately $51,000 and $304,000, respectively, of construction in progress related to multiple building projects.

The Company leases certain office facilities under operating leases that expire at various dates through 2025. The Company has renewal options on these leases. Rent expense totaled approximately $234,000 and $174,000, respectively, for the years ending December 31, 2020 and 2019. Pursuant to the terms of non-cancelable lease agreements in effect at December 31, 2020 pertaining to banking premises, future minimum rent commitments under various operating leases are as follows (in thousands):

Year	Amount
2021	$ 169
2022	169
2023	174
2024	186
2025	186
Thereafter	512
	$ 1,396

Additionally, a portion of the banking premises which the Company occupies is leased to certain tenants under month-to-month and term leases. Rental income totaled approximately $290,000 and $252,000, respectively, for the years ending December 31, 2020 and 2019. Minimum future rentals to be received on non-cancelable leases in effect at December 31, 2020 are as follows (in thousands):

Year	Amount
2021	$ 222
2022	123
2023	14
2024	-
2025	-
Thereafter	-
	$ 359

7. Intangible Assets

Intangible assets consist of core deposit intangibles acquired in various acquisitions and are being amortized using the straight-line method over a period of ten years. Assigned costs and accumulated amortization at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Gross amount	$ 2,462	$ 2,462
Accumulated amortization	(2,029)	(1,920)
	$ 433	$ 542

Changes in the carrying amount of intangibles during 2020 and 2019 are summarized as follows (in thousands):

	2020	2019
Net intangible January 1	$ 542	$ 651
Amortization expense	(109)	(109)
Net intangible December 31	$ 433	$ 542

8. Goodwill

Goodwill in the amount of $12,883,000 at both December 31, 2020 and 2019 is included in the accompanying consolidated balance sheets. Goodwill is assessed at least annually for impairment. At December 31, 2020 and 2019, management has determined that there has been no impairment of goodwill.

9. Deposits

Deposits at December 31, 2020 and 2019 are summarized as follows (in thousands):

	2020		2019	
	Amount	Percent	Amount	Percent
Noninterest bearing demand accounts	$ 527,220	44.0	$ 397,552	38.8
Interest bearing demand accounts	252,830	21.1	272,191	26.6
Savings accounts	89,107	7.4	73,886	7.2
Limited access money market accounts	219,409	18.3	171,898	16.8
Certificates of deposit, less than $250,000	72,877	6.1	73,956	7.2
Certificates of deposit, $250,000 or more	37,609	3.1	35,395	3.4
	$ 1,199,052	100.0	$ 1,024,878	100.0

The Company had no brokered deposits at December 31, 2020 and 2019.

Included in deposits at December 31, 2020 and 2019 are deposits related to one customer in the amount of approximately $39,926,000 and $81,812,000, respectively. These amounts represent approximately 3% and 8% of total deposits at December 31, 2020 and 2019, respectively.

At December 31, 2020, scheduled maturities of certificates of deposit are as follows (in thousands):

Year	Amount
Less than one year	$ 80,346
One to three years	28,345
Over three years	1,795
	$ 110,486

10. Other Borrowings

Note Payable

At December 31, 2020 and 2019, the Company had a note payable to an unrelated bank with an outstanding balance of $8,312,000 and $9,563,000, respectively. The loan matures on December 21, 2023 and is secured by all of the shares of the Bank's stock. The interest rate on the note is the Wall Street Journal U.S. Prime Rate (3.25% and 4.75% at December 31, 2020, and 2019, respectively). The note is payable in quarterly principal payments of $312,500, plus accrued interest.

At December 31, 2020, the scheduled repayment of principal due is as follows (in thousands):

Year	Amount
2021	$ 1,250
2022	1,250
2023	5,812
2024	-
Thereafter	-
	$ 8,312

Federal Home Loan Bank

Advances from the FHLB are collateralized by a security agreement, which requires the borrowing bank to maintain a certain level of qualified first mortgage collateral in relation to the amount of outstanding debt. The Company had no outstanding advances from the Federal Home Loan Bank at December 31, 2020 and 2019.

At December 31, 2020, the amount available to the Bank under this credit facility, upon purchase of additional stock, was approximately $216,359,000.

Paycheck Protection Program Liquidity Facility

During April 2020, the Bank obtained a Letter of Agreement with the Federal Reserve Bank of Dallas for a Paycheck Protection Program Liquidity Facility (PPPLF). Advances from the PPPLF are collateralized by pledges of loans to small businesses under the U.S. Small Business Administration's 7(a) loan program titled the Paycheck Protection Program, which was added to the SBA's 7(a) loan program by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The Bank had no outstanding advances from the PPPLF at December 31, 2020.

At December 31, 2020, the amount available to the Bank under this credit facility was approximately $72,908,000.

Line of Credit

The Company has a revolving line of credit with an unaffiliated bank with a maximum advanceable amount of $30,000,000 at December 31, 2020 and 2019, respectively. The line of credit matures on March 31, 2021. There were no outstanding advances at December 31, 2020 and 2019.

Other

Additionally, the Bank has an unused federal funds line available from a commercial bank of approximately $25,000,000. Federal funds purchased are short-term borrowings that typically mature within one to ninety days. There was no outstanding balance under this line of credit at December 31, 2020 and 2019.

11. Employee Benefits

Pension Plan

The Company has a qualified defined benefit pension plan (Plan). Benefits are based on years of service and the employee's highest average compensation during any consecutive five years of employment. The contributions to the Plan are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Effective January 1, 2006, the Plan's administrative committee froze the Plan whereby all newly hired employees would be excluded from participating in the Plan. Effective January 1, 2018, the Plan's administrative committee amended the Plan allowing for three new participants and again froze the Plan whereby all newly hired employees would be excluded from participation. This change was recognized as a plan curtailment. During 2019, highly compensated employees were removed from the Plan. The following table presents disclosure information required under ASC 715-20 for the retirement plan (in thousands):

	2020	2019
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 29,407	$ 25,607
Service cost	523	533
Interest cost	940	1,043
Actuarial gain	1,355	3,031
Benefits paid	(936)	(807)
Benefit obligation at end of year	31,289	29,407
Change in Plan Assets		
Fair value of plan assets at beginning of year	23,266	18,386
Actual return on plan assets	2,525	3,187
Employer contributions	-	2,500
Benefits paid	(936)	(807)
Fair value of plan assets at end of year	24,855	23,266
Funded status at end of year	$ (6,434)	$ (6,141)
Amounts recognized in the Consolidated Balance Sheet		
Other liabilities	$ 6,434	$ 6,141
Amounts recognized in Consolidated Accumulated Other Comprehensive Income (AOCI)		
Net loss	$ 9,633	$ 10,348
Accumulated Benefit Obligation	$ 28,811	$ 25,330
Net Periodic Pension Cost		
Service cost	$ 523	$ 533
Interest cost	940	1,043
Expected return on plan assets	(1,247)	(955)
Recognized net loss	792	779
Net periodic pension cost	1,008	1,400
Other changes in Plan Assets and Benefit Obligations recognized in AOCI		
Net loss	77	800
Amortization of net gain	(792)	(779)
Total recognized in OCI	(715)	21
Total recognized in expense and AOCI	$ 293	$ 1,421
Amounts expected to be recognized in AOCI in the next year		
Net gain	$ (1,098)	$ (1,247)

The total expected long-term rate of return on assets is determined by assessing the rates of return on each targeted asset class, return premiums generated by portfolio management, and a comparison of rates used by other companies. For the years ended December 31, 2020 and 2019, the weighted average assumptions are as follows:

	2020	2019
Discount rate		
Net periodic pension cost	3.25%	4.15%
Benefit obligations	2.50%	3.25%
Expected return on Plan Assets at the beginning of the fiscal year	6.00%	6.00%
Rate of compensation increase		
Beginning of year	5.50%	5.50%
End of year	3.00%	5.50%

The overall investment goal of the Plan is to achieve a real long-term rate of return over inflation resulting from income, capital gains, or both which will assist the Plan in meeting its long-term objectives. Investment management of the assets is in accordance with the Plan's Investment Policy that includes target asset allocation of 60% fixed income and 40% equities. Within each asset class, assets are allocated to various investment styles. Professional managers manage all assets of the Plan and professional advisors assist the Plan in the attainment of its objectives. The Company's pension plan asset allocations at December 31, 2020 and 2019 are as follows:

	Percentage of Plan Assets December 31,	
	2020	2019
Asset Category		
Equity securities	44.52	43.99
Fixed income	49.89	48.06
Other	5.59	7.95
	100.00	100.00

The Company expects to contribute approximately $1,000,000 to its pension plan in 2021.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows at December 31, 2020 (in thousands):

Year	Amount
2021	$ 1,000
2022	1,040
2023	1,190
2024	1,320
2025	1,460
2026 - 2030	8,050
	$ 14,060

Profit Sharing Plan

The Company has a profit sharing plan and an employee stock ownership plan that provide benefits for substantially all employees. Contributions to these plans are discretionary and determined annually by the Board of Directors. Contributions totaled approximately $982,000 and $909,000 in 2020 and 2019, respectively, and are included in salaries and employee benefits in the accompanying consolidated statements of income.

Due to COVID-19 pandemic and its negative impact on the value of the qualifying employer securities held in the participants ESOP accounts, the Company amended the Plan to suspend the conversion feature of the Plan for 2020 and 2021.

On August 24, 2020 the Company entered into a Loan Agreement with First State Bank 401(k) Profit Sharing and Employee Stock Ownership Trust (Trust) in order to provide liquidity to fund 2020 ESOP Obligations to terminated First State Bank employees. The loan complies with the conditions and requirements of United States Department of Labor Prohibited Transaction Class Exemption Number 80-26. The 80-26 loan is an unsecured, interest free loan in the amount of $600,000 and is due and payable on August 24, 2021. At December 31, 2020 the balance of the ESOP Obligation was $600,000 and is included in the accompanying consolidated balance sheet.

Supplemental Retirement Plan

The Company has a supplemental life insurance/split dollar plan with certain key officers. The Company owns each policy's cash surrender value and their related accumulated earnings. The excess of death benefits over cash value upon death will be paid to the beneficiaries. The payment of these benefits is made by the insurer.

12. Commitments and Contingencies

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

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

13. Financial Instruments

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2020 and 2019, the approximate amounts of these financial instruments were as follows (in thousands):

	2020	2019
Financial instruments whose contract amounts		
represent credit risk:		
Commitments to extend credit	$ 195,082	$ 200,885
Standby letters of credit	5,302	2,859
	$ 200,384	$ 203,744

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

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

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

14. Significant Group Concentrations of Credit Risk

Most of the Company's business activity is with customers located within Texas. Investments in state and municipal securities primarily involve governmental entities within the Company's market area.

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

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

At December 31, 2020 and 2019, the Company had a concentration of funds on deposit in excess of federally insured limits at certain independent correspondent banks. The nature of the Company's business requires that it maintain amounts at due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses and does not anticipate any losses from such accounts.

15. Related Party Transactions

In the ordinary course of business, the Company has and expects to continue to have transactions, including borrowings, with its officers, directors and their affiliates. In the opinion of management, such transactions are on the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unaffiliated persons. At December 31, 2020 and 2019, the aggregate amounts of such loans were approximately $1,338,000 and $1,722,000, respectively. During the year ended December 31, 2020, new loans made to related parties and/or loans made to new directors totaled approximately $14,000 and repayments totaled approximately $398,000. Additionally, the Company had unfunded commitments to these related parties of approximately $23,000 and $50,000 at December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, the Company paid approximately $150,000 in consulting fees to a director of the Company.

16. Fair Value Disclosures

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019 are as follows (in thousands):

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
December 31, 2020:			
Securities available for sale (1)	$ -	$ 442,620	$ -
December 31, 2019:			
Securities available for sale (1)	$ -	$ 386,913	$ -

(1) Securities are measured at fair value on a recurring basis, generally monthly.

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

The following table summarizes financial assets and non-financial assets, measured at fair value on a non-recurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2020:				
Financial assets - impaired loans	$ -	$ -	$ 3,304	$ 3,304
December 31, 2019:				
Financial assets - impaired loans	$ -	$ -	$ 4,403	$ 4,403
Other real estate owned	-	529	-	529

During the years ended December 31, 2020 and 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. For the years ended December 31, 2020 and 2019 impaired loans with a carrying value of $4,960,000 and $4,916,000 were reduced by specific valuation allowance allocations totaling $1,656,000 and $513,000 to a total reported fair value of $3,304,000 and $4,403,000, based on collateral valuations utilizing Level 3 valuation inputs.

Foreclosed assets are valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third-party appraisals, less estimated costs to sell. Appraisals based upon comparable sales result in a Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above. During the year ended December 31, 2020 and 2019, there were acquisitions of other real estate owned of approximately $171,000 and $420,000, respectively. During the year ended December 31, 2019, there were write-downs of other real estate owned of $51,000. There were no write-downs of other real estate owned for the year ended December 31, 2020.

17. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020 and 2019, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2020 and 2019, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Additionally, Basel III added a 2.5% "capital conservation buffer" which was designed for banking institutions to absorb losses during periods of economic stress. Banking institutions with capital ratios below the minimum for capital adequacy purposes plus the capital conservation buffer may face constraints on dividends, equity repurchases and executive compensation relative to the amount of the shortfall.

Actual and required capital amounts and ratios of the Bank at December 31, 2020 and 2019 are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum for Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:								
Total capital to risk weighted assets	$ 126,209	15.57%	$ 64,844	8.00%	$ 85,108	10.500%	$81,055	10.00%
Tier 1 (core) capital to risk weighted assets	116,639	14.39%	48,633	6.00%	68,897	8.500%	64,844	8.00%
Common Tier 1 (CET	116,639	14.39%	36,475	4.50%	56,738	7.000%	52,686	6.50%
Tier 1 (core) capital to average assets	116,639	9.00%	51,855	4.00%	51,855	4.000%	64,818	5.00%
December 31, 2019:								
Total capital to risk weighted assets	$ 114,295	14.71%	$ 62,175	8.00%	$ 81,605	10.500%	$77,719	10.00%
Tier 1 (core) capital to risk weighted assets	107,262	13.80%	46,632	6.00%	66,061	8.500%	62,175	8.00%
Common Tier 1 (CET	107,262	13.80%	34,974	4.50%	54,403	7.000%	50,517	6.50%
Tier 1 (core) capital to average assets	107,262	9.47%	45,288	4.00%	45,288	4.000%	56,609	5.00%

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
Red River Bancorp, Inc. and Subsidiary

We have audited the consolidated financial statements of Red River Bancorp, Inc. and Subsidiary as of and for the year ended December 31, 2020, and have issued our report thereon dated February 24, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 36 and 37 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Payne & Smith, LLC

February 24, 2021

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RED RIVER BANCORP, INC. AND SUBSIDIARY

Consolidating Balance Sheet

December 31, 2020

(In Thousands)

	Red River Bancorp, Inc.	First State Bank	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 1,127	$ 102,122	$ (1,127) (a)	$ 102,122
Securities available for sale	-	442,620	-	442,620
Investment in subsidiary	133,495	-	(133,495) (b)	-
Loans held for sale	-	14,472	-	14,472
Loans held for investment	-	691,030	-	691,030
Bank premises and equipment	-	53,158	-	53,158
Intangible assets	-	433	-	433
Goodwill	-	12,883	-	12,883
Cash surrender value of life insurance	-	14,744	-	14,744
Other assets	-	13,988	-	13,988
	$ 134,622	$ 1,345,450	$ (134,622)	$ 1,345,450
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest bearing	$ -	$ 528,347	$ (1,127) (a)	$ 527,220
Interest bearing	-	671,832	-	671,832
Total deposits	-	1,200,179	(1,127)	1,199,052
Other borrowings	8,312	-	-	8,312
Other liabilities	249	11,776	-	12,025
Commitments and contingencies	-	-	-	-
Stockholders' equity:				
Common stock	2,000	2,000	(2,000) (b)	2,000
Paid-in capital	18,987	60,188	(60,188) (b)	18,987
Retained earnings	104,927	67,768	(67,768) (b)	104,927
Accumulated other comprehensive income	3,539	3,539	(3,539) (b)	3,539
Obligation of ESOP	(600)	-	-	(600)
Treasury stock, at cost	(2,792)	-	-	(2,792)
Total stockholders' equity	126,061	133,495	(133,495)	126,061
	$ 134,622	$ 1,345,450	$ (134,622)	$ 1,345,450

See description of consolidating entries on page 38 and accompanying independent auditor's report on additional information

RED RIVER BANCORP, INC. AND SUBSIDIARY

Consolidating Statement of Income and Comprehensive Income

For the Year ended December 31, 2020

(In Thousands)

	Red River Bancorp, Inc.	First State Bank	Eliminations	Consolidated
Interest income:				
Interest and fees on loans	$ -	$ 38,907	$ -	$ 38,907
Interest on securities:				
Taxable	-	3,724	-	3,724
Nontaxable	-	3,973	-	3,973
Other	-	325	-	325
Total interest income	-	46,929	-	46,929
Interest expense:				
Interest on deposit accounts	-	2,645	-	2,645
Other	317	27	-	344
Total interest expense	317	2,672	-	2,989
Net interest (expense) income	(317)	44,257	-	43,940
Provision for loan losses	-	2,735	-	2,735
Net interest (expense) income after provision for loan losses	(317)	41,522	-	41,205
Noninterest income:				
Dividend income	6,300	-	(6,300) (c)	-
Equity in undistributed earnings of subsidiary	8,569	-	(8,569) (d)	-
Service charges and fees	-	2,686	-	2,686
Trust fees	-	689	-	689
Net gain on sales of securities available for sale	-	1,988	-	1,988
Net gain on sales of loans held for sale	-	8,839	-	8,839
Net gain (loss) on sales of other real estate owned	397	(8)	-	389
Other	-	3,768	-	3,768
Total noninterest income	15,266	17,962	(14,869)	18,359
Noninterest expense:				
Salaries and employee benefits	-	27,545	-	27,545
Occupancy of bank premises	-	5,773	-	5,773
Data processing expense	-	2,650	-	2,650
Legal and professional fees	-	878	-	878
Public relations	-	641	-	641
Other	10	7,128	-	7,138
Total noninterest expense	10	44,615	-	44,625
Net income	14,939	14,869	(14,869)	14,939
Other comprehensive income:				
Change in net unrealized gain (loss) during the period on securities available for sale	14,970	14,970	(14,970) (e)	14,970
Reclassification adjustment for net gains on sales of securities available for sale included in net income	(1,988)	(1,988)	1,988 (e)	(1,988)
Change in minimum pension liability	715	715	(715) (e)	715
Other comprehensive income	13,697	13,697	(13,697)	13,697
Total comprehensive income	$ 28,636	$ 28,566	$ (28,566)	$ 28,636

See description of consolidating entries on page 38 and accompanying independent auditor's report on additional information

Description of Consolidating Entries

For the Year Ended December 31, 2020

(a) To eliminate intercompany cash and deposits.

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

(c) To eliminate dividends from subsidiary.

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

(e) To eliminate the change in net unrealized (gain) loss on securities available for sale, the reclassification adjustment for net gains on sales of securities, and the change in minimum pension liability during the period included in other comprehensive income.

REPORT ITEM 2: ORGANIZATION CHART

The organization chart for Red River Bancorp, Inc. and subsidiaries is presented below. Only First State Bank has a LEI.

RED RIVER BANCORP, INC.
No LEI
Gainesville, Texas
Incorporated in Texas

100%

FIRST STATE BANK
LEI: 54930079VLB4FPPZ7Y58
Gainesville, Texas
Incorporated in Texas

100%

FIRST STATE BANK INSURANCE AGENCY, INC.
No LEI
Gainesville, Texas
Incorporated in Texas

Form FR Y-6

Red River Bancorp, Inc.
Gainesville, Texas
Fiscal Year Ending December 31, 2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year end

(1)(a) Name & Address (City, State, Country)		(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities Note 1	172106
Jacob Bezner	Dallas, TX	United States	18,100	10.52%
Employee Stock Ownership Plan				
Trustees				
Lloyd Reiter	Gainesville, TX	United States	5,695	3.31%
Michael Ware	Gainesville, TX	United States	5,694	3.31%
Susan Howe	Gainesville, TX	United States	5,694	3.31%
See Note 2			17,083	9.93%
Alice Ruth Guffee	Frisco, TX	United States	20,501	11.91%
J Lynn Guffee and Alice Ruth Guffee	Frisco, TX	United States	760	0.44%
J Lynn Guffee	Frisco, TX	United States	324	0.19%
			21,585	12.54%
Georganna Guffee Saunders	Allen, TX	United States	364	0.21%
Georganna Saunders Heritage Trust				
Georganna Guffee Saunders, Trustee	Allen, TX	United States	2,750	1.60%
			3,114	1.81%
Regina Ruth Bowling Heritage Trust				
Michael Ware, FSB Trust Department, Trustee	Gainesville, TX	United States	2,750	1.60%
The Morris Family Trust	Gainesville, TX	United States		
Frank Morris, Co-Trustee	Gainesville, TX	United States	10,392	6.04%
Janet Morris, Co-Trustee	Gainesville, TX	United States	10,392	6.04%
			20,784	12.08%
Frank E Morris ESOP shares - Non Voting	Excluded from total		987.26	
Merideth Lindsey Morris	Gainesville, TX	United States	74	0.04%
Merideth L Mcleod Heritage Trust				
Merideth L Mcleod, Trustee	Gainesville, TX	United States	3,250	1.89%
Ava Mae Mcleod	Gainesville, TX	United States	25	0.01%
See Note 3			3,349	1.95%
Ryan C Morris	Gainesville, TX	United States	644	0.37%
Ryan C Morris Heritage Trust				
Ryan C Morris, Trustee	Gainesville, TX	United States	3,250	1.89%
Meg Elizabeth Morris	Gainesville, TX	United States	25	0.01%
Bay Elizabeth Morris	Gainesville, TX	United States	25	0.01%
Cole Penn Morris	Gainesville, TX	United States	25	0.01%
See Note 4			3,969	2.31%
Ryan C Morris ESOP shares - Non Voting	Excluded from total		341.89	
Lloyd and Mary Reiter	Gainesville, TX	United States	700	0.41%
Brenda Louise Spaeth Clark	Lindsay, TX	United States	515	0.30%
See Note 5				
David H Spaeth	Lindsay, TX	United States	5,426	3.15%
David H Spaeth	Lindsay, TX			
Separate Property		United States	500	0.29%
See Note 5			5,926	3.44%

George W Spaeth *See Note 5*	Gainesville, TX	United States	500	0.29%
Patricia A Henry *See Note 5*	Era, TX	United States	4,968	2.89%
John David Spaeth *See Note 5*	Muenster, TX	United States	500	0.29%
Marie Felderhoff Spaeth *See Note 5*	Gainesville, TX	United States	540	0.31%
Tim and Mary Turbeville Family Trust Tim Turbeville, Trustee	Gainesville, TX	United States	2,155	1.25%
Timothy Floyd Turbeville Subtrust of the Ben Turbeville Family Living Trust Tim Turbeville Trustee	Gainesville, TX	United States	4,514	2.62%
Debra Kay Schweikert Subtrust of the Ben Turbeville Family Living Trust Timothy Floyd Turbeville Trustee	Gainesville, TX	United States	4,513	2.62%
			11,182	6.50%
Tim Turbeville ESOP shares - Non Voting	Excluded from total	United States	1,417.62	

Notes

1. Common Stock is the only class issued for RRBI.
2. Voting rights with respect to Qualifying Employer Securities will be passed through to Participants for Significant Corporate Events. Participants will be allowed to direct the voting rights of Qualifying Employer Securities for Significant Corporate Events only. The Trustee will have the voting rights for all other matters.
3. Includes 25 shares held by minor child
4. Includes 75 shares held by minor children
5. The listed shareholders make up the "Spaeth" family totaling 7.52% ownership when combined

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

N/A

Form FR Y-6

Red River Bancorp, Inc.
Gainesville, Texas
Fiscal Year Ending December 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 Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Jacob Bezner, CPA Dallas, Texas, USA	Retired Accountant	Director	Director First State Bank	N/A	1	10.52%	None	N/A
Luke Grizzaffi Gainesville, Texas, USA	Health Insurance Agent	Director	Director First State Bank	Owner Grizzaffi Benefit Management, LLC Partner Bentley Yates Cobra CSI		0.17%	None	Grizzaffi Benefit Management, LLC 100.00%
Alice Guffee Frisco, Texas, USA	Investor	Shareholder	N/A	N/A	5	12.13%	None	N/A
Lynn Guffee Frisco, Texas, USA	Investor	Shareholder	N/A	N/A	5	0.41%	None	N/A
Frank Morris Gainesville, Texas, USA	Retired Banker	Director, Chairman & CEO	Director & Chairman First State Bank	N/A	5,8	6.04%	None	N/A
Janet Morris Gainesville, Texas, USA	Investor	Shareholder	N/A	N/A	5,8	6.04%	None	N/A
Ryan C. Morris Gainesville, Texas, USA	Banker	Director	Director & CEO First State Bank	N/A	2,5	2.26%	None	N/A
Ronny Ortowski Gainesville, Texas, USA	Investor	Director	Director First State Bank	President, Limited Partner Ortowski Construction Sub: Escalade Enterprises LLC President Aggressive Capital Management, Inc. Sub: Aggressive Investments LP President RECC Consulting, LLC President Gatehouse Mezz Secretary Ridge Addition, Inc.		0.66%	None	Ortowski Construction Sub: Escalade Enterprises LLC 100.00% Aggressive Capital Management, Inc. Sub: Aggressive Investments LP 100.00% RECC Consulting, LLC 56.00% Gatehouse Mezz 100.00%
Lloyd Reiter Gainesville, Texas, USA	Banker	Director	Director & President First State Bank President First State Bank Insurance Agency	N/A	4,10	3.72%	None	N/A
Don Robinson Flower Mound, Texas, USA	Retired Banker	Director	Director First State Bank	N/A		0.12%	None	N/A

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Andrew Rottner Decatur, Texas, USA	Banker	Director	Director & Executive Vice President & Cred First State Bank	N/A		0.12%	None	N/A
W.A. Sandford Decatur, Texas, USA	Investor	Director	Director First State Bank	Manager 2931 Land, GP, LLC Manager 5818 LBJ GP, LLC Manager Catlett Creek Partners GP, LLC Limited Partner Decatur AZ 51 LP Manager Decatur AZ LLC Manager DNT Land GP, LLC Limited Partner Duly Noted, LP Manager Duly Noted, GP, LLC Manager Elm Little, GP, LLC Manager Frisco Coit, LLC Manager Fort Worth Storage 35, GP, LLC Limited Partner Job Family, LP President Job Family Investments, Inc Manager KMWM, GP, LLC Officer Pioneer Partners Investments, Inc Officer Sandco Holdings Investments, Inc Limited Partner Sandco Holdings, L.P. Officer Sandco Properties, Inc Limited Partner Westhale LP Manager JTY Holdings LLC Manager Hale Street LLC Officer Sandford Acquisition Company, Inc. Officer Sandford Investment Partners, Inc. Manager Sandford Southwest GP, LLC Limited Partner Sandford Southwest L.P. Officer Sand-Moore Investments, Inc. Limited Partner Sandford Brothers Family, L.P. Manager Sheridan Desoto GP LLC Officer		0.12%	None	2931 Land, GP, LLC 50.00% 5818 LBJ, GP, LLC 50.00% Catlett Creek Partners, GP, LLC 50.00% Decatur AZ 51 LP 25.00% Decatur AZ LLC 50.00% DNT Land GP, LLC 50.00% Duly Noted, LP 25.00% Duly Noted, GP, LLC 50.00% Elm Little, GP, LLC 50.00% Frisco Coit, LLC 50.00% Fort Worth Storage 35, GP, LLC 50.00% Job Family, LP 99.00% Job Family Investments, Inc 100.00% KMWM, GP, LLC 50.00% Pioneer Partners Investments, Inc 50.00% Sandco Holdings Investments, Inc 50.00% Sandco Holdings, L.P. 50.00% Sandco Properties, Inc 50.00% Westhale LP 100.00% JTY Holdings LLC 33.00% Hale Street LLC 100.00% Sandford Acquisition Company, Inc. 50.00% Sandford Investment Partners, Inc. 75.00% Sandford Southwest GP, LLC 100.00% Sandford Southwest L.P. 100.00% Sand-Moore Investments, Inc 50.00% Sandford Brothers Family, L.P. 50.00% Sheridan Desoto GP LLC 25.00% Sandrock Investment Company, Inc

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
				Sandrock Investment Company, Inc.				50.00%
				Officer SFI Family Investments, Inc				SFI Family Investments, Inc. 33.00%
				Limited Partner SFI Family LP				SFI Family LP 33.00%
				Manager SJCC Investment, LLC				SJCC Investments, LLC 25.00%
				Manager Southwest Basswood 35 GP,				Southwest Basswood 35 GP, LLC 50.00%
				Officer Storage Holdings GP, Inc				Storage Holding GP, Inc 100.00%
				Officer Storage Holdings Cedar Springs GP Inc				Storage Holdings Cedar Springs GP Inc 100.00%
				Manager University Retail GP LLC				University Retail GP LLC 50.00%
				Manager 8800 North Tarrant GP LLC				8800 North Tarrant GP LLC 25.00%
				Manager 172 Day LLC				172 Day LLC 50.00%
				Limited Partner Vail 5x5 LP				Vail 5x5 LP 100.00%
				Manager Vail 5x5 GP LLC				Vail 5x5 GP LLC 100.00%
				Manager WR Independence GP LLC				WR Independence GP LLC 50.00%
				Limited Partner WS Storage LP				WS Storage LP 50.00%
				Manager WS Storage GP LLC				WS Storage GP LLC 50.00%
				Limited Partner 2720 Weisenberger LP				2720 Weisenberger LP 50.00%
				Manager 2720 Weisenberger GP LLC				2720 Weisenberger GP LLC 50.00%
				Manager Alma Store GP LLC				Alma Store GP LLC 50.00%
				Manager WC Trails LLC				WC Trails LLC 50.00%
				Limited Partner Westworth Corner LP				Westworth Corner LP 26.00%
				Manager Westworth Corner GP LLC				Westworth Corner GP LLC 50.00%
				Manager 26 Grapevine GP LLC				26 Grapevine GP LLC 50.00%
				Limited Partner Westover Decatur Ltd				Westover Decatur, Ltd 25.00%
				Manager Westover Decatur LLC				Westover Decatur LLC 25.00%
				Limited Partner 550-SM LP				550-SM LP 50.00%
				Manager 550-SM GP LLC				550-SM GP LLC 100.00%
				Manager Flagstone Acquisition Company LLC				Flagstone Acquisition Company LLC 100.00%
				Limited Partner NE Chisholm 1187 LP				NE Chisholm 1187 LP 26.00%
				Manager NE Chisholm 1187 GP LLC				NE Chisholm 1187 GP LLC 50.00%
				Limited Partner ODR North LP				ODR North LP 50.00%
				Manager ODR North GP LLC				ODR North GP LLC 50.00%

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Tim Turbeville Gainesville, Texas, USA	Banker	Director	Director & Executive Vice President & Chie First State Bank Director & Secretary First State Bank Insurance Agency	N/A		6.50%	None	N/A
Brian McCain Gainesville, Texas, USA	Banker	Director & Treasurer	Director & Executive Vice President & Chie First State Bank	Partner MMM Investment JV		N/A	None	MMM Investment JV 30.00%
John Jeffery Loch Corinth, Texas, USA	Investor	Director	Director First State Bank	N/A		0.23%	None	Five Star Orthodontic Lab & Supply, Inc 50.00% WDMI, LLC 50.00%
Susan Howe Gainesville, Texas, USA	Banker	N/A	Board Secretary & Bank Officer First State Bank	N/A	10	3.31%	None	N/A
Michael Ware Gainesville, Texas, USA	Banker	N/A	Vice President First State Bank	N/A	3,10	4.91%	None	N/A
Georganna Guffee Saunders Allen, Texas USA	Investor	Shareholder	N/A	N/A	5,9	1.81%	None	N/A
Merideth Lindsey Morris Gainesville, Texas USA	Homemaker	Shareholder	N/A	N/A	5,11	1.93%	None	N/A
[redacted] Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	5,7	0.01%	None	N/A
[redacted] Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	5,6	0.01%	None	N/A
[redacted] Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	5,6	0.01%	None	N/A
[redacted] Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	5,6	0.01%	None	N/A

Notes

1. Jacob Bezner has direct ownership of 2.38%. As trustee Jacob controls an additional 8.14%. For a total of 10.52%.
2. Ryan Morris holds 0.37% and also 1.89% as trustee of the Ryan Morris Heritige Trust. For a total of 2.26%.
3. Michael Ware is trustee for the Regina Ruth Bowling heritage trust for a total of 1.60% and also trustee for the ESOP for a total of 3.31%.
4. Lloyd Reiter holds 0.23% and also 3.31% as trustee for the Employee Stock Ownership Plan.
5. The listed shareholders form the Morris family. The combined ownership total is 32.16%.
6. Minor child of Ryan C Morris.
7. Minor child of Meredith Mcleod.
8. Frank Morris and Janet Morris are Co-trustees for the Morris Family Trust which has total ownership of 12.08%.
9. Georganna Guffee Saunders holds 0.21% and also 1.61% as trustee of the Georganna Guffee Saunders Heritage Trust. For a total of 1.81%.
10. Employee Stock Ownership Plan has three trustees: Lloyd Reiter, Susan Howe,& Michael Ware for a total of 9.93%.
11. Meredith Morris holds 0.04% and also 1.89% as trustee of the Meredith Morris Heritige Trust. For a total of 1.93%.