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, John D. Steinmetz
Name of the Holding Company Director and Official

Director, President, CEO
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

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

Vista Bancshares, Inc.
Legal Title of Holding Company

5840 W. Northwest Highway
(Mailing Address of the Holding Company) Street / P.O. Box

Dallas	Texas	75225
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Deanna Hargrove	Controller & Dir of Finance
Name	Title

214-614-2651
Area Code / Phone Number / Extension

214-217-9546
Area Code / FAX Number

dhargrove@vistabank.com
E-mail Address

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

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

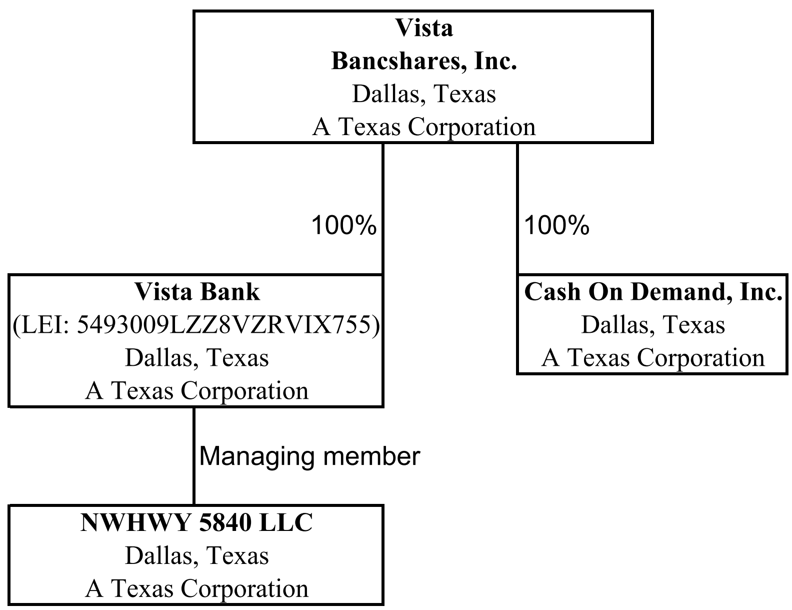
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Vista Bancshares, Inc.
Ralls, Texas
Fiscal Year Ending December 31, 2020
Organization Chart

Report Item 2 (a): Organization Chart



Only entity that has a LEI is Vista Bank as shown above.

Results: A list of branches for your depository institution: VISTA BANK (ID_RSSD: 645465).
This depository institution is held by VISTA BANCSHARES, INC. (1135897) of DALLAS, TX
The data are as of 12/31/2020. Data reflects information that was received and processed through 01/05/2021.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	645465	VISTA BANK	5840 WEST NORTHWEST HIGHWAY	DALLAS	TX	75225	DALLAS	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	1996306	ABERNATHY BRANCH	317 MAIN STREET	ABERNATHY	TX	79311	HALE	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	5132447	AUSTIN BRANCH	3720 JEFFERSON STREET	AUSTIN	TX	78731	TRAVIS	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Limited Service	5461512	MESSENGER SERVICE BRANCH - AUSTIN	3720 JEFFERSON STREET	AUSTIN	TX	78731	TRAVIS	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	5211678	DALLAS PRESTON MOTOR BRANCH	6801 PRESTON ROAD	DALLAS	TX	75205	DALLAS	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	5190492	FORT WORTH BRANCH	1300 SUMMIT AVENUE, SUITE 100	FORT WORTH	TX	76102	TARRANT	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	1975972	HALE CENTER BRANCH	701 MAIN STREET	HALE CENTER	TX	79041	HALE	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	464750	HAMLIN BRANCH	231 S. CENTRAL AVENUE	HAMLIN	TX	79520-4829	JONES	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	856953	IDALOU BRANCH	930 FRONTAGE ROAD	IDALOU	TX	79329-9111	LUBBOCK	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	4586838	19TH & QUAKER BRANCH	4350 19TH STREET	LUBBOCK	TX	79407	LUBBOCK	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	3982442	LUBBOCK 50TH STREET BRANCH	4621 50TH STREET	LUBBOCK	TX	79414	LUBBOCK	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	3963003	LUBBOCK 98TH BRANCH	4515 98TH STREET	LUBBOCK	TX	79424	LUBBOCK	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Limited Service	5461503	MESSENGER SERVICE BRANCH - LUBBOCK	1508 TEXAS AVENUE	LUBBOCK	TX	79401	LUBBOCK	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	909363	PETERSBURG BRANCH	1523 MAIN STREET	PETERSBURG	TX	79250	HALE	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	407252	PLAINVIEW BRANCH	3000 OLTON ROAD	PLAINVIEW	TX	79072	HALE	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	5429222	RALLS BRANCH	901 MAIN STREET	RALLS	TX	79357	CROSBY	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	
OK		Full Service	931560	RULE BRANCH	523 5TH STREET	RULE	TX	79547	HASKELL	UNITED STATES	Not Required	Not Required	VISTA BANK	645465	

Form FR Y-6
December 31, 2020

Report Item 3: Shareholders
(1)(a) (1)(b) (1)(c) (2)(a) (2)(b) (2)(c)

Vista Bancshares, Inc.
Dallas, Texas

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of 12-31-20			Shareholders 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 12-31-20		
(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**	**(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**
John D. Steinmetz Dallas, Texas	USA	137,043 - 7.39% Common Stock 16,026 - 0.86% Options on Common Stock	N/A		
Larry Covert Flower Mound, Texas	USA	146,240 - 7.88% Common Stock [1]			
Jacob J. Novak Dallas, Texas	USA	151,562 - 8.17% Common Stock			
Patricia M. Thomas Granbury, Texas	USA	131,544 - 7.09% Common Stock[2]			
Kirk McLaughlin Ralls, Texas	USA	192,986 - 10.40% Common Stock[3]			
BankCap Partners Opportunity Fund, LP Dallas, Texas	USA	233,004 - 12.56% Common Stock[4]			

[1] Includes (i) 144,712 shares held by Covert Investment Operations, LLC, and (ii) 1,528 shares held in Larry Covert's name.

[2] Includes (i) 54,135 shares held by The Kathryn McLaughlin Irrevocable Asset Trust FBO Patricia Thomas, (ii) 2,235 shares held by Self Directed IRA Services, Inc. Custodian FBO Harvey Ike Thomas, which is Patricia M. Thomas' husband, (iii) 75,174 shares held in Patricia M. Thomas' name.

[3] Includes (i) 121,300 shares held by Kirk A. McLaughlin, Trustee for Gene McLaughlin Estate Trust, (ii) 65,853 shares held by Kirk McLaughlin Enterprises, Ltd., (iii) 4,700 shares held by Ramona McLaughlin in which Kirk McLaughlin has voting powers through POA, and (iv) 1,133 shares held in Kirk A. McLaughlin's name.

[4] Includes (i) 1,748 shares held in Scott Reed's name, and (ii) 231,256 shares held by BankCap Partners Opportunity Fund, LP which Mr. Reed is a Managing Member & Director.

Form FR Y-6
December 31, 2020

Report Item 4: Directors and Officers
(1) (2) (3)(a)(b)(c) and (4)(a)(b)(c)

Vista Bancshares, Inc.
Dallas, Texas

(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 and Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title and Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) If 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Kirk A. McLaughlin	N/A	Director	Director (Vista Bank)	Limited partner (Tokijo Partners, LP)	10.40%[1]	None	33% Tokijo Partners, LP
Lubbock, Texas			Director (Cash on Demand, Inc.)	Managing member (19thQuaker, LLC)			33% 19thQuaker, LLC.
				President (Rivendell West, LLC)			100% Rivendell West, LLC
				Limited partner, President of Kirk McLaughlin Enterprises, Ltd			99% limited partner, 100% control
				President, VP, Sec'y of Kirk McLaughlin, LLC			100% Kirk McLaughlin, LLC
				President (McLaughlin Minerals, Inc.)			33% McLaughlin Minerals, Inc.
				President (Vista Bank Foundation)			
				Sole Trustee (Gene McLaughlin Marital Trust)			100% Remainderman (Gene McLaughlin Marital Trust)
				Sole Trustee (Gene McLaughlin Estate Trust)			100% Remainderman (Gene McLaughlin Estate Trust)
				Board Chairman (Lubbock Lighthouse)			
				Agent (Jarmco, Inc.)			
				Agent (KT Farms, LLC)			
				Agent (MaPa Farms, LLC)			
				Limited Attorney-in-Fact (The Eileen L. Byrne Living Trust)			
				Director & Treasurer (Texas Methadone Treatment Assoc)			
Patricia M. Thomas	Real Estate Developer	Director	Director (Vista Bank)	Member (Cresson Crossroads, LLC)	7.09%[2]	None	
Granbury, Texas	Oil & Gas Investments		Director (Cash on Demand, Inc.)	Member (Cresson Energy, LLC)			
				Stockholder (Laguna Tres, Inc.)			65% Laguna Tres, Inc.
				Partner (Laguna Vista, Ltd.)			63% Laguna Vista, Ltd.
				VP/Sec'y/Treas. (JusRyn Co., Inc.)			100% JusRyn Co., Inc.
				Partner (MCI Land Co.)			33% MCI Land Co.
				Partner (M & I Limited)			50% M & I Limited
				Member (Thomas Bros. Grass DBA Prime Sod)			33% Thomas Bros. Grass
				Member (BRIM Energy, LLC.)			33% BRIM Energy, LLC
				Member (Grandbury Live)			33% Grandbury Live
				Member (KTFarms)			50% KTFarms
				Member (Guilded Ranch)			
				Member (Sandhill Land & Cattle, LLC)			
Justin Thomas	N/A	Director	Director (Vista Bank)	Manager (BRIM Energy, LLC)	0.65%[3]	None	33.3% BRIM Energy, LLC
Fort Worth, Texas			Director (Cash on Demand, Inc.)	Manager (Lazy JLT Holdings, LLC)			100% Lazy JLT Holdings, LLC
				Manager (TRP Group, LLC)			33.3% TRP Group, LLC
				Manager (Thomas Bros. Grass, LLC DBA Prime Sod)			33% (Thomas Bros Grass, LLC)
				General Manager (Sand Hill Land & Cattle, LLC)			
				Member (Grandbury Live)			33% Grandbury Live
				Member (Cresson Crossroads, LLC)			
				Member (Cresson Energy, LLC)			
Scott M. McLaughlin	N/A	Director	Director (Vista Bank)	President (Jarmco, Inc.)	1.38%[4]	None	25% Jarmco, Inc.
Dallas, Tx	.		Director (Cash on Demand, Inc.)				
			Manager/Secretary (NWHWY 5840 LLC)				
Larry Covert	Investor	Director	Director (Vista Bank)	Manager (Covert Properties, LLC)	7.88%[5]	None	50% Covert Properties, LLC
Dallas, Tx			Director (Cash on Demand, Inc.)	Manager (LRC Equipment, LLC)			50% LRC Equipment, LLC
				Manager (Covert Investment Operations, LLC)			100% Covert Inheritor's Trust
				Manager (Covert Equine Operations, LLC)			100% Covert Inheritor's Trust
				Trustee (Rick Covert Investment Trust)			100% Rick Covert Investment Trust
				Manager (Covert Operations, LLC)			
				Member (Covert Family Limited Partnership)			

Dr. Jack J. Novak Dallas, Tx	Investor	Director	Director (Vista Bank) Director (Cash on Demand, Inc.)	Director (5-N Investments LLC) Owner (Novak Bros., Texas Brownstones LLC) Owner (Novak Preserve, LLC) Owner (Novak Commercial, LLC) General Partner (Novak Westinghouse LP) Owner (Brae Group, LTD) Owner (Novak Development, LLC) Owner (Hines Georgetown Hotel, LLC) Owner (Novak Howard Ranch, LLC) Owner (Summit at Rivery Park Ltd.) Owner (Novak Brothers, LLC) Director (Everly Well, Inc.) Director (Novak Westinghouse GP, LLC) Member (Block Cap)	8.17%	None	50% of 5-N Investments LLC 50% Novak Bros., Texas Brownstones LLC 100% Novak Preserve, LLC 100% Novak Commercial, LLC 98% Novak Westinghouse LP 97% Brae Group, LTD 100% Novak Development, LLC 74.7% Hines Georgetown Hotel, LLC 100% Novak Howard Ranch, LLC 31.59% Summit at Rivery Park Ltd. 50% Novak Bros., LLC
Scott Reed Dallas, Tx	Manager, Investment Capital	Director	Director (Vista Bank) Director (Cash on Demand, Inc.)	Managing Member & Director (BankCap Equity Fund) Managing Member (FACA LLC) Managing Member (Galloping Steed Investments) Managing Member (BankCap Partners GP, LP) Partner (BankCap Partners Opportunity Fund, LP) Managing Member (BC Front Range Growth) Director (InBankshares Corp; International Bank) Director (Silvergate Capital Corporation; Silvergate Bank) CEO (LF Capital Acquisition Co.) Director (Uncommon Giving Corporation)	12.56%[8]	None	50% BankCap Equity Fund LLC 100% FACA LLC 50% Galloping Steed Investments LLC 38% BankCap Partners GP, LP 50% BankCap Partners Opportunity Fund, LP 100% voting BC Front Range Growth, LLC
Bryan Wick Dallas, Tx	Attorney	Director, Chairman	Director (Vista Bank) Director (Cash on Demand, Inc.)	Manager (Wick Family Holdings, LP) Manager (Muirfield, LLC) Manager (Craven Cottage) Member (Compass Crosby, LLC) Member (Northwood Baseball, LLC) Member (Buddy's Paradise, LLC) Manager (Your Smiling Face, LLC) Partner (Wick, Phillips, Gould & Martin, LLP)	0.98%[6]	None	50% Wick Family Holdings, LP 25% Muirfield, LLC 50% Craven Cottage 30% Compass Crosby, LLC 25% Northwood Baseball, LLC 50% Buddy's Paradise, LLC 50% Your Smiling Face, LLC
Robert Bruce Dallas, Tx	Banker	CFO	CFO Manager (NWHWY 5840 LLC) Director, Secretary (Cash on Demand, Inc.)	N/A	0.86%[7]	None	N/A
William Davis Dallas, TX	Insurance Broker	Director	Director (Vista Bank) Director (Cash on Demand, Inc.)	CEO (Dexter & Company)	0.46%	None	56% Dexter & Company
John D. Steinmetz Dallas, Tx	Banker	Director, President, CEO	Director, CEO (Vista Bank) Director (Cash on Demand, Inc.) Manager (NWHWY 5840 LLC)	Partner (Tokijo Partners, LP) Member (19thQuaker) Member (Galloping Steed Investments LLC) General Partner (Montego Capital Partners) Member (Crownquest Operating LLC)	8.25%[9]	None	33% Tokijo Partners, LP 33.33% 19thQuaker, LLC. 50% Galloping Steed Investments, LLC
Auden Herrera Lubbock, Tx	Banker	COO	COO	N/A	0.12%[10]	None	N/A

Jared Craighead Dallas, Tx	Banker	General Counsel	General Counsel	Owner (JLC IRA, LLC) Owner (KACE EN, LLC) Executor/Trustee (Alison Craighead Estate)	0.24%[11]	None	100% (JLC IRA, LLC) 100% (KACE EN, LLC) 100% (Alison Craighead Estate)
Cathy Landtroop Dallas, Tx	Banker	CMO/CCO	CMO/CCO	CEO (Landtroop Inc., DBA Landtroop Strategies) CEO (Landco Industries, Inc. DBA Huco Products and the Cleaning House)	0.21%	None	100% (Landtroop, Inc.) 60% (Landco Industries, Inc.)
Toby Cecil Lubbock, Tx	Banker	West Texas President	West Texas President	Partner (Tokijo Partners, LP) Member (19thQuaker) Member (Lbb Quattro Land Co. LLC)	0.24%[12]	None	33% Tokijo Partners, LP 33% 19thQuaker, LLC. 25% Lbb Quattro Land Co. LLC
Jo'Elda Perez Lubbock, Tx	Banker	SVP, Private Client Services	SVP, Private Client Services	N/A	0.14%[13]	None	N/A
Troy Stegemoeller Lubbock, Tx	Banker	CLO	CLO	N/A	0.30%[14]	None	N/A
Landon Willess Lubbock, Tx	Banker	Executive VP, Lending	Executive VP, Lending	Member (LBB G&L Investments, LLC) Member (LBK WALI Properties, LLC) Member (LBB Quatro Land Co., LLC)	0.30%[15]	None	50% LBB G&L Investments, LLC 50% LBK WALI Properties, LLC 25% LBB Quatro Land Co., LLC
Matthew Willis Lubbock, Tx	Banker	Dir of Strategic Initiatives / Investor Relations	Dir of Strategic Initiatives / Investor Relations	N/A	0.25%[16]	None	N/A

[1] Includes (i) 121,300 shares held by Kirk A. McLaughlin, Trustee for Gene McLaughlin Estate Trust, (ii) 65,853 shares held by Kirk McLaughlin Enterprises, Ltd., (iii) 4,700 shares held by Ramona McLaughlin in which Kirk McLaughlin has voting powers through POA, and (iv) 1,133 shares held in Kirk A. McLaughlin's name.

[2] Includes (i) 54,135 shares held by The Kathryn McLaughlin Irrevocable Asset Trust FBO Patricia Thomas, (ii) 2,235 shares held by Self Directed IRA Services, Inc. Custodian FBO Harvey Ike Thomas, which is Patricia Thomas' husband, (iii) 75,174 shares held in Patricia Thomas' name.

[3] This includes the following shares (i) 7,341 shares held directly by Justin Thomas, (ii) 2,381 shares held by Self Directed IRA Services, Inc. Custodian FBO Justin Thomas, and (iii) 2,381 shares held by Self Directed IRA Services, Inc. Custodian FBO Kimberly Thomas.

[4] This includes (i) 22,861 shares held directly in Scott McLaughlin's name and (ii) vested stock options to purchase 2,750 shares of our common stock.

[5] Includes (i) 144,712 shares held by Covert Investment Operations, LLC, and (ii) 1,528 shares held in Larry Covert's name.

[6] Includes (i) 16,991 shares held by Wick Family Holdings, LP, and (ii) 1,594 shares held in Bryan Wick's name.

[7] Includes (i) 10,145 shares held in Robert Bruce's name, and (ii) vested stock options to purchase 5,833 shares of our common stock.

[8] Includes (i) 1,748 shares held in Scott Reed's name, and (ii) 231,256 shares held by BankCap Partners Opportunity Fund, LP which Mr. Reed is a Managing Member & Director.

[9] Includes (i) 137,043 shares held in John Steinmetz' name, and (ii) vested stock options to purchase 16,026 shares of our common stock.

[10] Includes (i) 1,662 shares held in Auden Herrera's name, and (ii) vested stock options to purchase 580 shares of our common stock.

[11] Includes (i) 1,306 shares held by Alison S. Craighead Estate, (ii) 2,381 shares held by Jared L & Alison Craighead, and (iii) 820 shares held in Jared Craighead's name.

[12] Includes (i) 4,345 shares held in Toby Cecil's name, and (ii) vested stock options to purchase 6,500 shares of our common stock.

[13] Includes (i) 310 shares held in Jo'Elda Perez's name, and (ii) vested stock options to purchase 2,250 shares of our common stock.

[14] Includes (i) 1,307 shares held in Troy Stegemoeller's name, and (ii) vested stock options to purchase 4,267 shares of our common stock.

[15] Includes (i) 2,629 shares held in Landon Willess' name, and (ii) vested stock options to purchase 3,000 shares of our common stock.

[16] Includes (i) 354 shares held in Matthew Willis' name, and (ii) vested stock options to purchase 4,333 shares of our common stock.

VISTA BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2020 and 2019

Austin Office
3600 N. Capital of Texas Hwy.
Bldg. B, Suite 250
Austin, TX 78746
737.931.8200 Main

whitleypenn.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Vista Bancshares, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Vista Bancshares, Inc. and Subsidiaries which comprise the consolidated balance sheet as of December 31, 2020 and 2019, and the related consolidated statements of income and 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 ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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 Vista Bancshares, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in conformity with GAAP.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of income is presented for purposes 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 audits 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Whitley Penn LLP

Austin, Texas
April 15, 2021

VISTA BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Balance Sheet
December 31, 2020 and 2019
(Dollars in thousands, except shares)

ASSETS	**2020**	**2019**
Cash and due from banks	$ 437,977	$ 191,693
Investment securities available for sale, at fair value	35,399	25,899
Loans and leases, net	816,257	652,293
Accrued interest receivable	5,222	4,065
Premises and equipment, net	22,653	21,961
Bank-owned life insurance, at cash surrender value	10,784	11,778
Foreclosed and repossessed assets, net	325	299
Investments in non-marketable equity securities and partnership interests	5,364	5,087
Goodwill	3,427	3,427
Intangible assets	638	743
Other assets	5,175	3,641
Total assets	$ 1,343,221	$ 920,886

LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 98,637	$ 41,295
Interest bearing	1,004,642	739,094
Total deposits	1,103,279	780,389
FHLB advances	20,000	40,000
Borrowed Funds	20,691	2,805
Paycheck Protection Program Liquidity Facility	89,971	-
Accrued interest payable	69	205
Accrued legal settlement (Note 13)	-	7,500
Accrued expenses and other liabilities	8,216	4,088
Total liabilities	1,242,226	834,987
Commitments and contingencies (Note 13)		
Common stock, $1.00 par, 10,000,000 shares authorized, 1,862,138 and 1,838,214 shares issued at December 31, 2020 and 2019, respectively; 1,854,995 and 1,831,071 shares outstanding at December 31, 2020 and 2019, respectively.	1,862	1,838
Additional paid-in capital	59,175	54,108
Retained earnings	39,225	29,966
Treasury stock, 7,143 shares at December 31, 2020 and 2019	(362)	(362)
Accumulated other comprehensive income	1,095	349
Total stockholders' equity	100,995	85,899
Total liabilities and stockholders’ equity	$ 1,343,221	$ 920,886

VISTA BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statement of Income and Comprehensive Income
Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
Interest income:		
Loans, including fees	$ 43,589	$ 39,559
Investment securities available for sale	806	768
Interest-bearing deposits in banks	1,383	2,120
Total interest income	45,778	42,447
Interest expense:		
Deposits	5,102	7,892
Debt	904	743
Total interest expense	6,006	8,635
Net interest income	39,772	33,812
Provision for loan losses	6,423	1,076
Net interest income after provision for loan losses	33,349	32,736
Noninterest income:		
Service charges on deposit accounts	1,995	2,001
Gain on sale of loans	3,345	-
Other	1,382	790
Total noninterest income	6,722	2,791
Noninterest expense:		
Personnel costs	18,038	14,046
Occupancy and equipment	2,733	2,552
Software and data processing	2,936	2,573
Marketing	848	770
Professional, regulatory, and consulting	1,763	1,735
Foreclosed and repossessed asset expenses, net	9	14
Communication	720	722
Legal settlement, net of recoveries (Note 13)	-	4,995
Other general and administrative	2,584	2,720
Total noninterest expense	29,631	30,127
Income before income taxes	10,440	5,400
Income tax expense	1,181	1,052
Net income	$ 9,259	$ 4,348
Other comprehensive income:		
Net unrealized gains on investments available for sale arising during period	$ 944	$ 324
Reclassification adjustment for net gains included in net income, net of tax	-	(19)
Income tax expense related to items of other comprehensive income	(198)	(64)
Other comprehensive income, net of income taxes	746	241
Comprehensive income	$ 10,005	$ 4,589

VISTA BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity
Years Ended December 31, 2020 and 2019
(Dollars in thousands, except shares)

	Common Stock		Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Capital	Earnings	Income	Total
Balance as January 1, 2019	1,780,649	$ 1,781	-	$ -	$ 51,113	$ 25,618	$ 108	$ 78,620
Net income	-	-	-	-	-	4,348	-	4,348
Other comprehensive income, net of income taxes	-	-	-	-	-	-	241	241
Stock based compensation expense	-	-	-	-	552	-	-	552
Treasury stock acquired	-	-	7,143	(362)	-	-	-	(362)
Exercise of employee stock options	6,764	6	-	-	278	-	-	284
Common stock issued	15,227	15	-	-	210	-	-	225
Common stock issued under Private Stock Purchase Agreement	35,574	36	-	-	1,955	-	-	1,991
Balance as of December 31, 2019	1,838,214	$ 1,838	7,143	$ (362)	$ 54,108	$ 29,966	$ 349	$ 85,899
Net income	-	-	-	-	-	9,259	-	9,259
Other comprehensive income, net of income taxes	-	-	-	-	-	-	746	746
Stock based compensation expense	-	-	-	-	3,969	-	-	3,969
Exercise of employee stock options	6,763	7	-	-	277	-	-	284
Common stock issued	17,161	17	-	-	821	-	-	838
Balance as of December 31, 2020	1,862,138	$ 1,862	7,143	$ (362)	$ 59,175	$ 39,225	$ 1,095	$ 100,995

VISTA BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Years Ended December 31, 2020 and 2019
(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Net income	$ 9,259	$ 4,348
Adjustments to reconcile net income to cash provided by operating activities:		
Net amortization on investment premiums and discounts	91	83
Provision for loan and lease losses	6,423	1,076
Depreciation and amortization	1,559	1,394
Stock based compensation expense	3,969	552
Net earnings on bank-owned life insurance	(312)	(327)
Net gain on sales of investment securities	-	(24)
Net gain loss on sales of foreclosed and repossessed assets	(11)	(20)
Net (gain) loss on sales of bank premises and equipment	(12)	26
Net gain on sale of loans	(3,345)	-
Net changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(2,889)	2,103
Accrued legal settlement	-	7,500
Accrued interest payable and other liabilities	(3,508)	1,363
Net cash provided by operating activities	11,224	18,074
Cash flows from investing activities:		
Changes in interest-bearing time deposits in banks	-	4,216
Investment securities available for sale:		
Sales, maturities, paydowns and calls	903,278	420,435
Purchases	(911,925)	(414,708)
Loan origination, collection, and write-off, net	(167,819)	(38,647)
Proceeds from sale of foreclosed and repossessed assets	762	537
Proceeds from sale of premises and equipment	51	12
Purchases of premises and equipment	(2,185)	(1,734)
Proceeds from BOLI death benefit	1,306	-
Net contributions to non-marketable equity securities and partnership interests	(277)	(404)
Net cash used in investing activities	(176,809)	(30,293)
Cash flows from financing activities:		
Net increase in deposits	322,890	81,207
(Repayments) proceeds from FHLB advances	(20,000)	20,000
Proceeds from Paycheck Protection Program Liquidity Facility borrowings	135,817	-
Repayment of Paycheck Protection Program Liquidity Facility borrowings	(45,846)	-
Proceeds from long-term debt, net	17,979	-
Proceeds from stock issuance	838	2,216
Treasury stock acquired	-	(362)
Proceeds from exercise of stock options	284	284
Repayment of borrowed funds	(93)	(90)
Net cash provided by financing activities	411,869	103,255
Net increase in cash and cash equivalents	246,284	91,036
Cash and cash equivalents at beginning of year	191,693	100,657
Cash and cash equivalents at end of year	$ 437,977	$ 191,693

VISTA BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Years Ended December 31, 2020 and 2019
(Dollars in thousands)

		2020		2019
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	$	6,142	$	8,586
Cash paid for taxes		2,817		375
Supplemental Disclosure of Non-Cash Investing and Financing Activities:				
Foreclosed assets transferred from loans	$	676	$	548
Foreclosed and repossessed asset sales financed		100		60

1. Nature of Organization and Summary of Significant Accounting Policies

Vista Bancshares, Inc.("VBI"), a Texas bank holding company, conducts its principal activities through its banking subsidiary, Vista Bank, a Texas state chartered, Federal Reserve Bank member bank. Vista has locations in Abernathy, Austin, Dallas, Dallas motor bank, Hale Center, Hamlin, Idalou, Lubbock, Petersburg, Plainview, Ralls, Rule, Haskell and Fort Worth , Texas. Principal activities include commercial and retail banking.

References in this annual report to "we," "us," "our," "our company," or the "Company" refers to Vista Bancshares, Inc. and our wholly-owned banking subsidiary, Vista Bank, and the terms "bank" or "Vista" refer to Vista Bank.

VBI owns 100% of the outstanding common stock of Vista and Cash on Demand, Inc. ("CoD"). During 2016, the Bank formed NWHWY 840 HWY LLC ("5840") for the purpose of acquiring property in Dallas, Texas for a Bank branch site. 5840 is owned 100% by the Bank. VBI and these subsidiaries (collectively referred to herein as the "Company") are included in the accompanying consolidated financial statements (collectively referred to herein as "CFS").

CoD operations have been discontinued, but management does not intend to dissolve the entity in the foreseeable future.

Accounting Standards Codification

Since 1973, the Financial Accounting Standards Board ("FASB") has been the private sector organization designated to establish standards for financial accounting and presentation of financial statements known as accounting principles generally accepted in the United States of America ("GAAP"). GAAP is officially recognized as authoritative by the American Institute of Certified Public Accountants ("AICPA") and the banking regulators.

The FASB's Accounting Standards Codification™ ("ASC") constitutes GAAP in its entirety. All other accounting literature (not included in ASC) are nonauthoritative. FASB issues Accounting Standards Updates which serve to update ASC and provide background information about the guidance and the basis for conclusions.

Basis of Presentation

Management strives to prepare and present these notes and the accompanying consolidated financial statements in accordance with GAAP, in all material respects. The Company consolidates (a) subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control, when benefits outweigh costs and/or material, and (b) variable interest entities ("VIE") in which the Company is the primary beneficiary. All significant intercompany balances and transactions are eliminated in consolidation.

Comprehensive Income

GAAP defines comprehensive income ("CI") as the change in stockholders' equity of a business enterprise during a period from transactions and other events and circumstances, other than from stockholder sources. Therefore, CI includes all changes in stockholders' equity for a specified period (e.g., a year) except those resulting from investments by stockholders and distributions to stockholders; CI is comprised of net income or loss ("earnings") and other comprehensive income or loss ("OCI"). GAAP generally requires that recognized revenue, expenses, gains, and losses be included in the determination of earnings. However, certain changes in assets and liabilities are classified as OCI and presented as a separate component of comprehensive income; accumulated OCI ("AOCI") is reported as a separate component of stockholders' equity. AOCI, OCI, and components of OCI are presented net of income taxes. Relevant examples of OCI items follow:

- Unrealized holding gains and losses on investment securities available for sale,
- Unrealized holding gains and losses that result from a debt security being transferred into the available for sale ("AFS") category from the held to maturity ("HTM") category, or
- Other than credit loss component of other-than-temporary-impairment on AFS and HTM securities.

Reclassification adjustments for components of OCI are recognized to avoid double counting items in CI that are presented as part of earnings for a year that also had been presented as part of OCI in that year or earlier years.

Use of Estimates

The preparation of CFS in conformity with GAAP 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 CFS. 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: (a) impairments of: (i) loans, (ii) investment securities, and (b) fair values, including acquired loans. The Company uses fair values to measure certain assets, determine earnings and OCI, value underlying collateral to estimate impairments of loans and foreclosed and repossessed assets. Fair value estimates involve uncertainties and other matters requiring management to exercise significant judgments; changes in assumptions, market conditions, or myriad other factors could significantly affect fair value estimates.

Fair Value

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

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

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

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks, and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 2 investments consist primarily of obligations of U.S. government sponsored enterprises and agencies, obligations of state and municipal subdivisions, corporate bonds, and mortgage backed securities.

Level 3 Inputs – Significant unobservable inputs that reflect an entity's own 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. 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. A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth in Note 20 Fair Value Measurements.

Cash and Cash Equivalents

The Company presents all cash on hand and balances due from other banks, interest-bearing deposits and term certificates of other banks, federal funds sold, and securities purchased under agreements to resell, which have original maturities less than ninety days, as cash and cash equivalents. Federal regulations require banks to set aside specified amounts of cash as reserves against transaction and time deposits, which fluctuate daily. These reserves may be held as vault cash, in a non-interest-bearing account with a district Federal Reserve Bank, or as deposits with correspondents. Management believes that the Company complies with these requirements.

Interest-Bearing Time Deposits in Banks

From time-to-time, Vista invests in interest-bearing time deposits and term certificates of other banks with original maturities greater than ninety days. These deposits are not considered cash equivalents and are carried at cost with interest income thereon recognized on the accrual basis.

Investment Securities

Under GAAP, investment securities may be classified into trading, HTM, or AFS portfolios. Securities that are held principally for resale in the near term, if any, are classified as trading and recorded at fair value with changes in fair value included in earnings. Debt securities that management has the ability and positive intent to hold to maturity, if any, are classified as HTM and are recorded at amortized cost. Securities not classified as trading or HTM, if any, are AFS and are reported at fair value with unrealized gains and losses excluded from earnings but included in the determination of OCI. AFS securities facilitate asset/liability management strategy; they may be sold in response to changes in liquidity needs, interest rates, resultant prepayment risk changes, and other factors.

Interest and dividend income from securities are included in earnings when earned or declared, respectively. Purchase premiums and discounts on debt securities, if any, are recognized as an adjustment to interest income over the term of the related securities under the straight-line method which approximates the effective interest method. Gains and losses on security sales are recorded on the trade date and are determined under the specific identification method.

Other-Than-Temporary-Impairments ("OTTI") of Debt Securities

Individual AFS and HTM securities are impaired when fair value is less than the amortized cost basis; impairment can be temporary or other-than-temporary and is comprised of "credit loss" and "other loss" (e.g., losses due to increased market interest rates; highly volatile, disorderly, or inactive markets; increased prepayment speeds; or other factors).

The impairment is considered temporary unless there is a credit loss component to the impairment. Credit loss is identified as the difference between (a) the amortized cost basis and (b) the present value of the principal cash flows currently expected over the remaining term of the security discounted at the effective interest rate implicit in the security at acquisition.

If there is a credit loss component to the impairment, the impairment is other-than-temporary, and OTTI is the difference between the amortized cost basis and the fair value. The credit loss component of OTTI is realized in earnings and the other loss component of OTTI is recognized in OCI. However, if the Company intends to sell, or it is more-likely-than-not that the Company will have to sell, prior to recovery of the other loss component, the other loss component is charged to earnings.

Investments in Non-Marketable Equity Securities and Partnership Interests

Vista has the following investments in various non-marketable equity securities and partnership interests that are carried at cost as these securities do not have a readily determinable fair value:

Federal Reserve Bank ("FRB") Stock Subscription. As a state member bank in the Federal Reserve System, the Company is required to subscribe to the capital stock of the Federal Reserve Bank of Dallas in an amount equal to six percent (6%) of its paid-up capital and surplus and must pay in half of that amount (3%) to the FRB; the other half is subject to call by the Board of Governors of the Federal Reserve System. Regulations also specify procedures that a member bank must follow to purchase or redeem FRB capital stock; the subscription to the FRB stock is restricted and can only be liquidated upon withdrawal from membership. Therefore, Vista carries its FRB stock subscription at the amount deposited with the FRB (which equals one-half (1/2) of the required subscription). An equal amount, which is unrecorded, is subject to call by the Board of Governors of the Federal Reserve System.

Federal Home Loan Bank ("FHLB") Stock. Vista owns an equity interest in the FHLB. FHLB stock does not have a readily determinable fair value because ownership is restricted, and it lacks a market; it can only be sold back to the FHLB at its par value ($100 per share). Therefore, Vista carries its investment in FHLB stock at cost; management does not believe the value is impaired. FHLB stock is generally pledged as collateral for FHLB advances when any are outstanding.

The Independent Bankers Bank ("TIB") Stock. Vista is a TIB customer and purchased TIB stock. As a stockholder, Vista participates in certain benefits, including preferential rates and service fees, and dividends. TIB stock does not have a readily determinable fair value because ownership is restricted, it lacks a market and TIB management has the right to determine the redemption price. Vista carries its investment in TIB stock at cost; management does not believe the value is impaired.

Valesco Commerce Street Capital, LP ("VCSC"). Vista has made a $500 subscription for limited partnership interests in VCSC, which includes potential credit for investment under the Community Reinvestment Act ("CRA") and related regulations. VCSC is a Small Business Investment Company ("SBIC"), licensed by the United States Small Business Administration ("SBA"), privately owned and operated to make long-term investments in American small business. Vista's interest is accounted for at cost.

BlueHenge Capital Partners ("BHCP"). Vista has made a $500 subscription for limited partnership interests in BHCP, which includes potential credit for investment under the CRA and related regulations. BHCP is a SBIC licensed by the SBA, privately owned and operated to make long-term investments in American small businesses. Vista's interest is accounted for at cost.

Valesco Fund II, LP ("VFII"). Vista has made a $500 subscription for limited partnership interests in VFII, which includes potential credit for investment under the Community Reinvestment Act ("CRA") and related regulations. VFII is a Small Business Investment Company ("SBIC"), licensed by the United States Small Business Administration ("SBA"), privately owned and operated to make long-term investments in American small business. Vista's interest is accounted for at cost.

Loans and Allowance for Loan and Lease Losses

The majority of loans and leases (loans and leases are collectively referred to hereinafter as "loans") are made to customers to finance asset acquisitions, to provide working capital to finance business operations, and other purposes in exchange for interest on outstanding principal balances from origination to maturity or pay-off. Decisions about whether to extend credit to customers are based on anticipated sources of repayment, credit history, availability of collateral, and other considerations. Loans are stated at the amount of unpaid principal, reduced by unearned income and an allowance for loan losses. Interest on loans is recognized using the simple- interest method on the daily balances of the principal amounts outstanding. Deferred fees and costs associated with originating loans, except for net deferred fees associated with loans originated under Payroll Protection and Main Street Lending government programs, are recognized in income and expense generally in the period in which the fees were received and/or costs were incurred. Under generally accepted accounting principles, the net of such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of yield. For the years ended December 31, 2020 and 2019, management believes that not deferring the net of such fees and costs and amortizing them over the life of the related loans does not materially affect the consolidated financial position or results of operations of the Company. The net of such deferred fees and costs for loans originated under the Payroll Protection and Main Street Lending government programs are accounted for under generally accepted accounting principles.

The allowance for loan and lease losses (“ALLL”) is established through a provision for loan losses charged against income. The ALLL includes specific reserves for impaired loans and an estimate of losses inherent in the loan portfolio at the balance sheet dates, but not yet identified with specific loans. Loans deemed to be uncollectible are charged against the allowance when management believes that the collectability of the principal is unlikely and subsequent recoveries, if any, are credited to the allowance. Management’s periodic evaluation of the adequacy of the allowance is based on an assessment of the current loan portfolio, including known inherent risks, adverse situations that may affect the borrowers’ ability to repay, the estimated value of any underlying collateral and current economic conditions.

The ALLL represents management's best estimate of impairment in the existing loan portfolio, as a whole, at periodic reporting dates based on current information and events. Management considers the diversification of the loan portfolio, related experience of the Company and its personnel, extent of geographic and dollar concentrations, prevailing economic and environmental conditions, experience from comparable historical periods, the effects of current adverse circumstances on borrower and guarantor ability to pay, estimated value of underlying collateral, and any other factors identified as relevant to the current circumstances to develop an appropriate ALLL.

Management develops its estimate of an appropriate ALLL at periodic reporting dates based upon aggregation of loan impairment for a) specifically identified loans, b) groups of remaining loans with similar risk characteristics, and c) unallocated amounts for qualitative factors. While management attributes portions of the ALLL to specific portfolio segments and individual impaired loans, the entire allowance is available to absorb credit losses inherent in the total loan portfolio.

Management routinely identifies significant credits (individual loans or relationships that are not part of groups of smaller balance homogenous type loans with similar credit risks) to evaluate collectability based on consideration of the following:

- Dollar amounts of individual loans and total loans by borrower, guarantor, or other indicators of relationships;
- Payment status and overdrafts of related borrower deposit accounts;
- Borrower requests for concessions to alleviate cash constraints;
- Other evidence or risks of declining credit quality identified by loan officers, independent internal and external reviews (including outsourced reviews, financial statement audits, and regulatory examinations), members of management and the board, or information from other sources;
- Historical, environmental, and economic conditions that indicate increased risks of declining credit quality in certain industries, geographic areas, or types of loans; and
- Any other available information deemed relevant to the current circumstances.

When a loan has been identified for evaluation, management considers factors specific to that credit that include scheduled timing and amounts of principal and interest payments in relation to actual payment status (past due status is based on contractual terms) and demonstrated and projected sources of repayment to determine whether that specific loan or relationship is impaired. 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. Loans that experience insignificant payment delays or shortfalls are not necessarily considered impaired, but loans that have not yet experienced payments, delays or shortfalls may be considered impaired if identifiable and expected sources of repayment appear inadequate or otherwise unlikely to comply with the schedule specified by the contractual terms of the loan agreement. The significance of payment delays and shortfalls are considered on a case-by-case basis. All the circumstances surrounding the loan and the borrower are considered, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Loans that have been identified as impaired are then individually evaluated to measure the amount of impairment, if any. Impairment for credits is measured by either a) the present value of expected future cash flows discounted at the loan's effective interest rate, b) the loan's obtainable market price, or c) the fair value of the collateral, if foreclosure is probable or the loan is otherwise considered collateral dependent. A loan is collateral dependent when repayment of the loan is expected to be provided solely by the underlying collateral. Regulatory guidance requires use of the collateral method for loans that are collateral dependent, and the collateral method is the predominant method used by management. In general, any portion of the recorded investment in a collateral dependent loan in excess of the fair value of the collateral is recognized as impairment. If repayment of a collateral dependent loan depends on the sale of the collateral, the fair value of the collateral is reduced by estimated selling costs to measure impairment.

The accrual of interest on loans is discontinued when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due. When a loan is placed on nonaccrual status, all previously accrued and unpaid interest is reversed. Interest income is subsequently recognized on a cash basis as long as the remaining book balance of the asset is deemed to be collectible. If collectability is questionable, then cash payments are applied to principal. A loan is placed back on accrual status when both principal and interest are current, and it is probable that we will be able to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

From time to time, the Company modifies its loan agreement with a borrower. A modified loan is considered a troubled debt restructuring when two conditions are met: (i) the borrower is experiencing financial difficulty and (ii) concessions are made by the Company that would not otherwise be considered for a borrower with similar credit risk characteristics. Modifications to loan terms may include a lower interest rate, a reduction of principal, or a longer term to maturity. To date, these troubled debt restructurings have been such that, after considering economic and business conditions and collection efforts, the collection of interest is doubtful and therefore the loan has been placed on non-accrual. Each of these loans is evaluated for impairment and a specific reserve is recorded based on probable losses, taking into consideration the related collateral and modified loan terms and cash flow.

Credit Quality Indicators

The majority of the loan portfolio is comprised of loans to businesses and individuals throughout Texas, primarily in West Texas, Austin and the Dallas-Fort Worth metropolitan areas. This geographic concentration subjects the loan portfolio to the general economic conditions within this area. The risks created by this concentration have been considered by management in the determination of the adequacy of the allowance for loan losses. Management believes the allowance for loan losses is adequate to cover estimated losses on loans at December 31, 2020 and 2019.

Credit Quality Indicators. From a credit risk standpoint, the Company classifies its loans in one of five categories: (i) pass, (ii) mention, (iii) substandard, (iv) doubtful, or (v) loss.

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

(i) Pass - The Company classifies loans that perform in accordance with stated terms and that have the financial ability more than sufficient to meet debt service requirements as pass.

(ii) Special mention - Loans with potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or the credit position at some future date. Examples of these potential weaknesses, although not all-inclusive, include:

- Lack of information about the borrower or guarantors, including stale financial information or lack of current collateral valuations.
- Economic or market conditions that in the future may affect the borrower's ability to meet scheduled repayments. These may be evidenced by adverse profitability, liquidity, or leverage trends in the borrower's financial statements.

(iii) Substandard - Loans inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any, are classified as substandard. Loans so classified must have 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.

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

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

As loans progress down the above classification scheme, the frequency of review increases. Loans evaluated and classified as special mention or better (i.e., not impaired) are not specifically evaluated for impairment. Loans evaluated and classified as impaired, but judged to have no impairment, are excluded from any other impairment calculations in accordance with GAAP.

Loan Types

The Company's management has identified the following segments and classes (segment subgroups) of the loan portfolio based on borrower categories and the nature and purpose of loans and underlying collateral as groups of loans with similar risk characteristics that are used to develop the estimated impairment in the loan portfolio for loans that are not specifically identified as impaired:

Real Estate – Loans secured by real estate ("R/E"). The source of repayment for these loans may be from sale of or rents from the underlying R/E, business operations in the R/E, or other sources. The repayment sources and collateral values are sensitive to economic and other environment factors which may vary based on the type of R/E or related operations, geographically, or both, as well as the quality of borrowers and other managers responsible for operations. Construction and development loans also present risks related to existence of collateral that should result from advances for construction or development activities and require additional monitoring.

Construction, development, and other land – To finance land under development or to be developed, or on- site construction of industrial, commercial, residential, or farm buildings.

Farmland – Secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Includes land known to be used or usable for agricultural purposes, such as crop and livestock production. Includes grazing or pasture land, whether tillable or not and whether wooded or not. Excludes loans for farm property construction and land development purposes.

1-4 family residential property – Secured by mortgages or other liens on dwelling units including single family residences, vacation homes, condominiums, interest in individual cooperative housing units, and mobile homes. Loans in this class are considered to be part of a group of smaller balance relatively homogenous loans that are not individually evaluated for classification as impaired, although unusually significant loans in this class may be evaluated if they are identified as presenting risk of loss that would be an outlier compared to the historical range of loss.

Multifamily (5+) residential property – Secured by mortgages or other liens on dwelling units for five or more family units such as apartments.

Non-farm non-residential owner-occupied property – Secured by non-farm, non-residential property, including business and industrial, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, group homes for aged persons and orphans, golf courses, recreational facilities, and other similar properties that are occupied by the owner (e.g., not rental properties).

Non-farm non-residential non-owner occupied property – Same as previous, except not occupied by the owner (e.g., rental properties).

Commercial and industrial – Loans to legal entities (corporations, partnerships, limited liability entities, sole proprietorships, and other business enterprises and individuals (except for loans to individuals for investing or personal expenditures), but not to nonprofit organizations. Includes loans to finance construction that are not secured by real estate and loans to farmers for business purposes other than farming. Includes leases to the same types of borrowers for the same purposes. Includes loans originated under the Paycheck Protection Program and Main Street Lending Program. These loans are underwritten and originated in accordance with program guidelines.

Agricultural production – Loans to finance agricultural production, regardless of the borrower. Agricultural production includes growing and storing of crops; marketing and carrying of agricultural products by the producers thereof; breeding, raising, fattening, or marketing of livestock; fisheries; and forestry. Includes loans to purchase related equipment, machinery, or implements.

Consumer – Loans to individuals for household, family, and other personal expenditures, except home mortgages (1-4 family residential) and loans to purchase or carry investment securities. Includes credit cards and other revolving credits, passenger and recreational vehicles, household appliances and furnishings, and others. Includes leases to the same types of borrowers for the same purposes.

Paycheck Protection Program (“PPP”) - In April 2020, the Company began originating loans to qualified small businesses under the PPP, administered by the SBA, under the provisions of the CARES Act. Loans covered by the PPP may be eligible for loan forgiveness for certain costs incurred related to payroll, group health care benefit costs and qualifying mortgage, rent and utility payments. The remaining loan balance after forgiveness of any amounts is still fully guaranteed by the SBA. Terms of the PPP loans include the following (i) maximum amount limited to the lesser of $10,000 or an amount calculated using a payroll-based formula, (ii) maximum loan term of two years, (iii) interest rate of 1.00%, (iv) no collateral or personal guarantees are required, (v) no payments are required for six months following the loan disbursement date and (vi) loan forgiveness up to the full principal amount of the loan and any accrued interest, subject to certain requirements including that no more than 25% of the loan forgiveness amount may be attributable to non-payroll costs. In return for processing and booking the loan, the SBA will pay the lender a processing fee tiered by the size of the loan (5% for loans of not more than $350; 3% for loans more than $350 and less than $2,000; and 1% for loans of at least $2,000). Total loans originated under the PPP during 2020 were $167,606. At December 31, 2020, PPP loans outstanding totaled $111,622 which are included in the commercial and industrial loan segment.

The Company is also currently participating in the Federal Reserve's PPP Liquidity Facility which will extend loans to banks who are loaning money to small businesses under the PPP. The amount outstanding at December 31, 2020, was $89,971, included in the accompanying consolidated balance sheet, and is non-recourse and secured by the amount of the PPP loans we originate. The maturity date of a borrowing under the PPP Liquidity Facility is equal the maturity date of the PPP loan pledged to secure the borrowing and would be accelerated (i) if the underlying PPP loan goes into default and is sold to the SBA to realize on the SBA guarantee or (ii) to the extent that any loan forgiveness reimbursement is received from the SBA. Borrowings under the PPP Liquidity Facility will bear interest at a rate of 0.35% and there would be no fees to us.

Federal bank regulatory agencies have issued an interim final rule that permits banks to neutralize the regulatory capital effects of participating in the PPP and, if applicable, the PPP Liquidity Facility. Specifically, all PPP loans have a zero percent risk weight under applicable risk-based capital rules. Additionally, a bank may exclude all PPP loans pledged as collateral to the PPP Liquidity Facility from its average total consolidated assets for the purposes of calculating its leverage ratio, while PPP loans that are not pledged as collateral to the PPP Liquidity Facility will be included.

Main Street Lending Program - The Federal Reserve established the Main Street Lending Program (“MSLP”) under The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), that provided for up to $600 billion of new or expanded credit facilities to small and medium-sized businesses. MSLP loans are funded by a combination of the Company and the Federal Reserve Bank of Boston special purpose vehicle (“SPV”). Under the program, the SPV will purchase 95% participation in each MSLP loan originated by the Company with the remainder of the loan retained by the Company. As of December 31, 2020, the Company had originated $763,686 in MSLP, sold participations to the SPV of $725,493, and retained $38,193 in MSLP loans. Related to the sale of MSLP loans to the SPV, the Company recognized a gain on sale of MSLP loans of $3,826 and earned servicing fees of $285, recorded to gain on sale of loans, and other noninterest income, on the accompanying consolidated statement of income and comprehensive income, respectively.

All others – Loans to financial institutions (banks and other depository institutions and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit); US. state and local governments and subdivisions (other than investment securities, loans to United States government and agencies, the fifty states and District of Columbia, and their municipalities, school and other districts, Puerto Rico and US territories and possessions and their political subdivisions and Indian tribes in the US); foreign governments and institutions; and loans to individuals for investment purposes (other than loans secured by real estate).

Identification and classification of significant credits and determination of impairment is inherently subjective and requires judgments and estimates that are susceptible to significant revision as more information becomes available due to changing circumstances and/or the passage of time. Judgments by knowledgeable professionals are subject to variations, even given the same facts and circumstances. The Company's regulators routinely review the adequacy of the Company's ALLL and may require the Company to increase its ALLL based on their policies and/or judgments about individual borrowers, economic conditions, and other factors available to them at the time of their examinations.

Business Combinations and Method of Accounting for Loans Acquired

Acquired loans are recorded at their estimated fair value at the acquisition date and are initially classified as either purchased credit impaired ("PCI") loans (i.e. loans that reflect credit deterioration since origination and it is probable at acquisition that the Company will be unable to collect all contractually required payments) or purchased non-impaired loans ("acquired performing loans").

Acquired performing loans are accounted for under FASB ASC Topic 310-20. Performance of certain loans may be monitored and based on management's assessment of the cash flows and other facts available, portions of the accretable difference may be delayed or suspended if management deems appropriate. The Company's policy for determining when to discontinue accruing interest on acquired performing loans and the subsequent accounting for such loans is essentially the same as the policy for originated loans described above.

An ALLL is calculated using a methodology similar to that described for originated loans. Acquired performing loans are subsequently evaluated for any required allowance at each reporting date. Such required allowance for each loan is compared to the remaining fair value discount for that loan. If greater, the excess is recognized as an addition to the allowance through a provision for loan losses. If less than the discount, no additional allowance is recorded. Charge-offs and losses first reduce any remaining fair value discount for the loan and once the discount is depleted, losses are applied against the allowance established for that loan.

Credit-Related Financial Instruments

In the ordinary course of business, the Company enters into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit.

Transfers of Financial Assets

Transfers of financial assets (primarily "loan participations sold" and SBA loans sold at Vista) must be evaluated to determine whether the transfer meets all of the following conditions to qualify for sale accounting: (a) isolation of the transferred assets from the transferor, (b) the transferee has the right to pledge or exchange the assets received and (c) the transferor's lack of effective control over the transferred assets. In general, a loan participation must have all of the following characteristics to meet the definition of a participating interest and qualify for sale treatment:

- It must represent a proportionate (pro rata) ownership interest in an entire financial asset;
- All cash flows received from the entire financial asset, except any cash flows allocated as compensation for servicing or other services performed (which must not be subordinated and must not significantly exceed an amount that would fairly compensate a substitute service provider should one be required), must be divided proportionately among the participating interest holders in an amount equal to their share of ownership;
- The rights of each participating interest holder (including the lead lender) must have the same priority, no interest is subordinated to another interest, and no participating interest holder has recourse to the lead lender or another participating interest holder other than standard representations and warranties and ongoing contractual servicing and administration obligations; and
- No party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

If a transfer of a portion of a financial asset does not meet the definition of a participating interest, both the lead lender transferring the participation and the party acquiring the participation must account for the transaction as a secured borrowing. "Last-in, first-out" ("LIFO") participations in which all principal cash flows collected on the loan are paid first to the party acquiring the participation do not meet the definition of a participating interest. Similarly, so-called "first-in, first-out" ("FIFO") participations in which all principal cash flows collected on the loan are paid first to the lead lender do not meet the definition of a participating interest. As a result, neither LIFO nor FIFO participations qualify for sale accounting and are reported as secured borrowings.

Upon the completion of a transfer of a participating interest that satisfies the conditions to be accounted for as a sale, the transferor (seller) must allocate the previous carrying amount of the entire financial asset between the participating interests sold and any that are retained based on their relative fair values at the transfer date, derecognize the participating interests sold, recognize and initially measure at fair value servicing assets (or servicing liabilities) and any other assets obtained and liabilities incurred in the sale, recognize in earnings any gain or loss on the sale, and report any retained participating interests as the difference between the previous carrying amount of the entire financial asset and the amount derecognized.

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan foreclosure or repossession ("FandR"), if any, are held for sale and are initially recorded at fair value less cost to sell at the date of FandR, establishing a cost basis for the asset(s). Differences between the loan investment carrying value and the cost basis of the FandR asset(s) are charged against the ALLL. Subsequent to FandR, capital improvements to FandR assets that increase the value, if any, are added to the FandR cost basis and management performs periodic valuations and the assets are carried at the lower of the FandR cost basis or estimated fair value less cost to sell. Revenue and expenses from holding and/or operating foreclosed assets and changes in the valuation allowance are netted and included in earnings.

Premises and Equipment

Buildings and improvements and furniture and equipment are recorded at cost. Depreciation on depreciable assets is provided over the estimated useful life of the asset, except for assets under capital lease obligations, which are depreciated over the shorter of the non-cancelable lease term or the estimated useful life of the leased asset, under the straight-line method. Maintenance, repairs, renewals, and betterments that do not significantly extend the useful life of the asset are recognized as expense as incurred. Book value (cost less accumulated depreciation at disposal) of asset disposals are removed from the accounts and the difference between the proceeds, if any, and the book value are netted and reported as gain or loss in earnings for the corresponding period. The proceeds from trade-ins are added to the cost basis of the new asset and any difference between the proceeds and book value of the trade-in is reflected as gain or loss in earnings.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of entities acquired at inception over the fair value of the net assets acquired, net of amortization. Goodwill in VBI and Vista have been assigned to the banking subsidiary and operations reporting units, respectively, and are tested for impairment if an annual qualitative assessment (of whether it is likely that the fair value of these reporting units are less than their carrying value) indicates the need for an impairment test, but may be tested for impairment if any event occurs or circumstances change that would more-likely-than-not reduce the fair value of the banking operations reporting unit below its carrying value. Intangible assets consist of core deposit intangibles and servicing assets.

Core deposit intangibles are initially recognized based on a valuation performed as of the consummation date. Core deposit intangibles are amortized over the average remaining life of the acquired customer deposits, normally 3 to 10 years, using the straight-line method.

The Bank accounts for its servicing assets at amortized cost in accordance with ASC 860, *Servicing Assets and Liabilities.* The codification requires that servicing rights acquired through the origination of loans, which are sold with servicing rights retained, are recognized as separate assets. Servicing assets are recorded as the difference between the contractual servicing fees and adequate compensation for performing the servicing and are periodically reviewed and adjusted for any impairment. The amount of impairment recognized, if any, is the amount by which the servicing assets exceed their fair value. Fair value of the servicing assets is estimated using discounted cash flows based on current market interest rates. Servicing rights are amortized over their estimated lives.

All intangible assets are tested annually for potential impairment or when triggering events occur. No impairment charges were recorded during the years ended December 31, 2020 and 2019.

Income Taxes

The Company files a consolidated Federal income tax ("FIT") return and recognizes FIT for the tax effects of the transactions reported in the CFS. FIT expense or benefit in earnings consists of taxes currently due or refunds receivable plus deferred tax effects from differences between the basis of assets and liabilities for CFS and FIT purposes, except that the deferred FIT expense or benefit on components of OCI are netted against those items. Deferred tax assets and liabilities represent the future Federal income tax return consequences of those differences, which will be deductible or taxable when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense. The Company accounts for interest or penalties related to Internal Revenue Service ("IRS") assessments, if any, as income tax expense.

Texas margin taxes are considered income taxes for financial reporting purposes. Texas margin taxes due annually in May are based on the preceding calendar year's income and expenses; accrued expenses and other liabilities in the accompanying CFS include an accrual for estimated Texas margin taxes. Related deferred taxes are insignificant.

Concentrations

Vista's deposits are predominantly generated in the West Texas; Austin, Texas; and Dallas-Fort Worth metropolitan areas. Vista's investments are concentrated in obligations of United States government sponsored enterprises ("GSEs") and state and municipal governments. Loans are primarily for real estate, commercial activity, and agricultural production in West Texas; Austin, Texas; and Dallas-Fort Worth metropolitan areas. Secondary sources of repayment on certain loans include guaranties by GSEs and U.S. government agencies. The ability of the Company's debtors to honor their contractual obligations depends upon real estate values and activity and general and agricultural economic conditions in these market areas. The Company does not have any significant concentrations of credit risk to any one customer or investment security issuer other than GSEs.
The Company holds its primary liquid assets in the form of demand deposits in, and Federal funds sold to, other commercial banks and the FRB. These amounts routinely exceed FDIC insurance limits and, at times, by significant amounts. Management monitors the safety and soundness of its correspondents and does not believe these institutions present significant credit risk.

Advertising Costs

Advertising costs are recognized when incurred and are recorded as marketing expenses on the consolidated statement of income and comprehensive income.

Stock Option Expense

Compensation expense for stock options is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized ratably over the service period of the award. The fair value of stock options is estimated using the Black-Scholes option pricing model.

Restricted Stock Expense

Compensation expense for restricted stock awards is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized using the straight-line method over the service period of the award.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation and had no effect on prior year net income or stockholders' equity.

Risk and Uncertainties

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in Wuhan, China, and has since spread to a number of other countries, including the United States. In March 2020, the World Health Organization declared COVID-19 a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has severely impacted the level of economic activity in the local, national and global economies and financial markets. During the first and second quarters, many businesses in Texas and many other states were temporarily closed due to social distancing and/or shelter in place orders. As of December 31, 2020, many of these businesses have been allowed to re-open at limited capacity; however, the Company and its customers continue to be adversely affected by the COVID-19 pandemic. The extent to which the COVID-19 pandemic negatively impacts the Company's business, results of operations, and financial condition, as well as its regulatory capital and liquidity ratios, is unknown at this time and will depend on future developments, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. If the pandemic is sustained, it may further adversely impact the Company and impair the ability of the Company's customers to fulfill their contractual obligations to the Company. This could materially and adversely affect the Company's business operations, asset valuations, financial condition, and results of operations.

In response to the pandemic, the President of the United States signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). This legislation aims to provide relief for individuals and businesses that have been negatively impacted by the coronavirus pandemic. The CARES Act includes a provision for the Company to opt out of applying the "troubled debt restructuring" ("TDR") accounting guidance in ASC 310-40 for certain loan modifications. Loan modifications made between March 1, 2020 and the earlier of i) December 30, 2020 or ii) 60 days after the President declares a termination of the COVID-19 national emergency are eligible for this relief if the related loans were not more than 30 days past due as of December 31, 2019. The Bank adopted this provision.

Additionally, the CARES Act contains provisions that impact federal income taxes including but not limited to an extension to pay and file federal tax returns, bonus depreciation on qualified improvement property and the ability to carry back certain net operating losses to a prior year.

Subsequent Events

In January of 2021, the company closed its branch located in Rule, Texas. In conjunction with this closing, the Company opened a new branch office in Haskell, Texas, which is located approximately 9.6 miles east of Rule, Texas. Additionally, on April 9, 2021 we entered into a branch purchase and assumption agreement whereby we agreed to sell the Hamlin, Texas branch real estate and building and generally all the branches' loans and deposits. This agreement is subject to regulatory and corporate approvals and is expected to close in July 2021. Management evaluated subsequent events and transactions for potential recognition and disclosure through April 15, 2021, the date that the Consolidated Financial Statements were available for issuance.

Recently-Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments." ASU 2016-13 is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company has not yet evaluated the potential effects of adopting ASU 2016-13 on the Company's consolidated results of operations, financial position, or cash flows.

In February 2016, the FASB issued ASU 2016-02 - "Leases" (Topic 842). ASU 2016-02 is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the annual periods beginning after December 15, 2021. Early adoption is permitted. The Company has not yet evaluated the impact of the adoption of ASU 2016-02 on the Company's consolidated results of operations, financial position, or cash flows.

In January 2016, the FASB issued ASU 2016-01 - "Recognition and Measurement of Financial Assets and Financial Liabilities" (Subtopic 825-10). ASU 2016-01 is intended to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for the annual periods beginning after December 15, 2018. Early adoption is not permitted, except for certain provisions of ASU 2016-01, which can be adopted early for any financial statements that have not been issued for institutions that do not meet the definition of a public business entity. Management has elected to early adopt these provisions to remove the disclosure of the fair value of all financial instruments, including those that are measured at amortized cost, such as loans held for investment. The Company adopted this effective January 1, 2019. The full adoption of remainder of ASU 2016-01 in 2019 had no material effect on the Company's consolidated results of operations, financial position, or cash flows.

In January 2017, the FASB issued ASU 2017-04 – "Intangibles – Goodwill and Other" (Topic 350). ASU 2017-04. ASU amended existing guidance to simplify the subsequent measurement of goodwill eliminating Step 2 from the goodwill impairment test. The amendments require an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment change for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The amendments are effective for annual periods beginning after December 15, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company expects the adoption of ASU 2017-04 to have no material effect on the Company's consolidated results of operations, financial position, or cash flows.

(Dollars in thousands, except share and per share amounts)

2. Investment Securities Available for Sale

Investment securities have been classified in the consolidated balance sheet according to management's intent. The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities available for sale are as follows:

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US GSE notes	$ 3,513	$ 259	$ -	$ 3,772
Corporate Bonds	6,250	45	16	6,279
State & municipal, tax exempt	15,483	641	-	16,124
State & municipal, taxable	6,266	344	1	6,609
Mortgage-backed securities	2,501	114	-	2,615
Total	$ 34,013	$ 1,403	$ 17	$ 35,399

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US GSE notes	$ 4,518	$ 152	$ -	$ 4,670
State & municipal, tax exempt	12,787	348	60	13,075
State & municipal, taxable	4,136	22	72	4,086
Mortgage-backed securities	4,016	65	13	4,068
Total	$ 25,457	$ 587	$ 145	$ 25,899

"GSE" stands for government sponsored enterprise, formed by the US Government, but does not have "full faith and credit" of US Government backing credit: considered higher risk than US Government agencies.

As of December 31, 2020 and 2019 the number of investment securities in an unrealized loss position totaled 2 and 10, respectively. The Company does not believe these unrealized losses are "other than temporary" as (i) the Company does not have the intent to sell the securities prior to recovery and/or maturity; and (ii) it is more likely than not that the Company will not have to sell these securities prior to recovery and/or maturity. The unrealized losses noted are interest rate-related due to the level of interest rates as of December 31, 2020 and 2019. The Company has reviewed the ratings of the issuers and have not identified any issues related to the ultimate repayment of principal as a result of credit concerns on these securities.

(Dollars in thousands, except share and per share amounts)

The following tables disclose the Company's available for sale investment securities in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

	December 31, 2020					
	Less Than 12 Months		12 Months or More		Totals	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available for Sale						
Corporate Bonds	$ 4,234	$ 16	$ -	$ -	$ 4,234	$ 16
State & municipal, taxable	1,049	1	-	-	1,049	1
Total	$ 5,283	$ 17	$ -	$ -	$ 5,283	$ 17

	December 31, 2019					
	Less Than 12 Months		12 Months or More		Totals	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available for Sale						
Mortgage-backed securities	$ 1,759	$ 13	$ -	$ -	$ 1,759	$ 13
State & municipal, tax exempt	2,660	60			2,660	60
State & municipal, taxable	3,031	72	-	-	3,031	72
Total	$ 7,450	$ 145	$ -	$ -	$ 7,450	$ 145

Proceeds from the sale of investment securities available for sale and gross realized gains and losses for the years ended December 31, 2020 and 2019 were as follows:

	December 31,	
	2020	2019
Proceeds from sales	$ -	$ 20,435
Gross realized gains	-	24
Gross realized losses	-	-

AFS Securities Pledged

At December 31, 2020 and 2019, Vista had pledged securities with carrying values of approximately $24,177 and $14,106, respectively, to secure public deposits, Federal funds purchased, repurchase agreements, and to meet other purposes required by law.

(Dollars in thousands, except share and per share amounts)

Contractual Maturities

The amortized cost and estimated fair value of debt securities, by contractual maturity, are shown below. Mortgage-backed securities typically are issued with stated principal amounts and are backed by pools of mortgage loans that have varying maturities. The expected maturities can differ from the contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The term of mortgage-backed securities thus approximates the term of the underlying mortgages and can vary significantly due to prepayments; therefore, the securities are not included in the maturity categories below.

	December 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ 852	$ 860	$ 1,505	$ 1,510
1 to 5 years	5,673	6,023	10,124	10,479
5 to 10 years	9,486	9,698	6,684	6,787
Over 10 years	15,501	16,203	3,128	3,055
	31,512	32,784	21,441	21,831
Mortgage-backed securities	2,501	2,615	4,016	4,068
Total	$ 34,013	$ 35,399	$ 25,457	$ 25,899

(Dollars in thousands, except share and per share amounts)

3. Loans and Allowance for Loan Losses

Major Classifications of Loans

Loans in the accompanying consolidated balance sheet consisted of the following:

	December 31,	
	2020	2019
Real Estate Loans:		
Construction, development & vacant	$ 104,646	$ 109,571
Farmland	40,484	37,514
1-4 family residential	90,295	89,329
Multifamily	29,993	53,451
Non-farm non-residential owner occupied	76,707	76,607
Non-farm non-residential non-owner occupied	146,616	106,152
Commercial & industrial	287,318	138,468
Agricultural production	37,576	34,631
Consumer	6,057	5,726
Other	9,635	7,808
	$ 829,327	$ 659,257
Discount on purchased loans	(119)	(185)
Discount on retained loans	(67)	(77)
Deferred income	(1,602)	-
Allowance for loan losses	(11,282)	(6,702)
Loans, net	$ 816,257	$ 652,293

Balances as of December 31, 2020 and December 31, 2019 are stated net of $780,613 and $47,391 of participations sold, respectively. As of December 31, 2020, $725,493 of this balance is attributable to MSLP participations sold to the Federal Reserve Bank of Boston special purpose vehicle. The net outstanding balance of MSLP loans included in the balance of total loans as of December 31, 2020 is $38,193.

Included in the balance of commercial & industrial loans as of December 31, 2020, is $111,622 of PPP loans. During the year ended December 31, 2020, in conjunction with originating PPP loans, the Company recognized PPP origination fee income, net of costs, of $2,778 due to loan forgiveness and normal amortization. This amount is included in interest income on loans on the accompanying consolidated statement of income and comprehensive income. As of December 31, 2020, the remaining $1,435 of deferred PPP fees, net of costs, included in deferred income, will be recognized over the remaining weighted average life of the loans or at the date of forgiveness, if earlier.

(Dollars in thousands, except share and per share amounts)

Nonaccrual and Past Due Loans

During the years ended December 31, 2020 and 2019, interest income not recognized on nonaccrual loans was $71 and $103, respectively.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. As mentioned in Note 1, the accrual of interest on loans is discontinued when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due. Age analyses of past due and non-accrual loans, segregated by class of loans were as follows:

	December 31, 2020				
	Current to 29 days	30-89 days	Over 90 days and accruing	Non-accrual	Total
Real estate loans:					
Construction, development & vacant	$ 104,636	$ 10	$ -	$ -	$ 104,646
Farmland	40,440	44	-	-	40,484
1-4 family residential	90,245	50	-	-	90,295
Multifamily	29,993	-	-	-	29,993
Non-farm non-residential owner occupied	76,381	-	-	326	76,707
Non-farm non-residential non-owner occupied	146,616	-	-	-	146,616
Commercial & industrial	287,180	67	-	71	287,318
Agricultural production	37,274	5	-	297	37,576
Consumer	5,997	45	-	15	6,057
Other	9,635	-	-	-	9,635
	$ 828,397	$ 221	$ -	$ 709	$ 829,327

	December 31, 2019				
	Current to 29 days	30-89 days	Over 90 days and accruing	Non-accrual	Total
Real estate loans:					
Construction, development & vacant	$ 109,560	$ 11	$ -	$ -	$ 109,571
Farmland	37,514	-	-	-	37,514
1-4 family residential	89,168	161	-	-	89,329
Multifamily	53,451	-	-	-	53,451
Non-farm non-residential owner occupied	76,199	-	-	408	76,607
Non-farm non-residential non-owner occupied	106,152	-	-	-	106,152
Commercial & industrial	136,627	1,599	-	242	138,468
Agricultural production	33,401	89	-	1,141	34,631
Consumer	5,534	167	-	25	5,726
Other	7,808	-	-	-	7,808
	$ 655,414	$ 2,027	$ -	$ 1,816	$ 659,257

(Dollars in thousands, except share and per share amounts)

Credit Quality Indicators

The following summarizes the Company's internal ratings of its loan, segregated by class of loans:

	December 31, 2020					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate loans:						
Construction, development & vacant	$ 104,636	$ -	$ 10	$ -	$ -	$ 104,646
Farmland	40,020	420	44	-	-	40,484
1-4 family residential	90,245	-	50	-	-	90,295
Multifamily	29,993	-	-	-	-	29,993
Non-farm non-residential owner occupied	66,246	3,525	6,610	326	-	76,707
Non-farm non-residential non-owner occupied	141,827	-	4,789	-	-	146,616
Commercial & industrial	284,084	629	2,534	71	-	287,318
Agricultural production	33,497	3,700	82	297	-	37,576
Consumer	6,027	-	15	15	-	6,057
Other	9,635	-	-	-	-	9,635
	$ 806,210	$ 8,274	$ 14,134	$ 709	$ -	$ 829,327

	December 31, 2019					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate loans:						
Construction, development & vacant	$ 109,571	$ -	$ -	$ -	$ -	$ 109,571
Farmland	37,043	426	45	-	-	37,514
1-4 family residential	89,298	-	31	-	-	89,329
Multifamily	53,451	-	-	-	-	53,451
Non-farm non-residential owner occupied	75,339	-	860	408	-	76,607
Non-farm non-residential non-owner occupied	100,883	-	3,868	1,401	-	106,152
Commercial & industrial	136,695	-	1,257	516	-	138,468
Agricultural production	32,514	856	120	1,141	-	34,631
Consumer	5,691	-	10	25	-	5,726
Other	7,808	-	-	-	-	7,808
	$ 648,293	$ 1,282	$ 6,191	$ 3,491	$ -	$ 659,257

(Dollars in thousands, except share and per share amounts)

Allowance for Loan Losses

The following tables detail the activity in the allowance for loan losses by portfolio segment:

	December 31, 2020				
	Beginning Balance	Provision for Loan Loss	Charge-offs	Recoveries	Total
Real estate loans:					
Construction, development & vacant	$ 1,074	$ 281	$ -	$ -	$ 1,355
Farmland	260	184	-	-	444
1-4 family residential	741	295	-	2	1,038
Multifamily	471	(113)	-	-	358
Non-farm non-residential owner occupied	738	933	-	-	1,671
Non-farm non-residential non-owner occupied	911	1,125	-	-	2,036
Commercial & industrial	1,733	3,593	(1,830)	53	3,549
Agricultural production	636	56	(100)	3	595
Consumer	75	5	(49)	82	113
Other	63	64	(9)	5	123
	$ 6,702	$ 6,423	$ (1,988)	$ 145	$ 11,282

	December 31, 2019				
	Beginning Balance	Provision for Loan Loss	Charge-offs	Recoveries	Total
Real estate loans:					
Construction, development & vacant	$ 764	$ 310	$ -	$ -	$ 1,074
Farmland	353	(93)	-	-	260
1-4 family residential	659	84	(10)	8	741
Multifamily	278	193	-	-	471
Non-farm non-residential owner occupied	675	63	-	-	738
Non-farm non-residential non-owner occupied	1,041	(130)	-	-	911
Commercial & industrial	1,447	505	(466)	247	1,733
Agricultural production	496	140	-	-	636
Consumer	89	(3)	(71)	70	75
Other	42	17	-	4	63
	$ 5,844	$ 1,076	$ (547)	$ 329	$ 6,702

(Dollars in thousands, except share and per share amounts)

Allowance for Loan Losses – continued

The following tables summarize the allocation of the allowance for loan losses, by portfolio segment, for loans evaluated for impairment individually and collectively:

	December 31, 2020					
	Period end amounts of ALLL allocated to loans evaluated for impairment:			Loans evaluated for impairment:		
	Individually	Collectively	Total	Individually	Collectively	Total
Real estate loans:						
Construction, development & vacant	$ -	$ 1,355	$ 1,355	$ 10	$ 104,636	$ 104,646
Farmland	-	444	444	44	40,440	40,484
1-4 family residential	-	1,038	1,038	50	90,245	90,295
Multifamily	-	358	358	-	29,993	29,993
Non-farm non-residential owner occupied	911	760	1,671	6,937	69,770	76,707
Non-farm non-residential non-owner occupied	-	2,036	2,036	6,063	140,553	146,616
Commercial & industrial	486	3,063	3,549	2,858	284,460	287,318
Agricultural production	222	373	595	379	37,197	37,576
Consumer	8	105	113	29	6,028	6,057
Other	-	123	123	-	9,635	9,635
	$ 1,627	$ 9,655	$ 11,282	$ 16,370	$ 812,957	$ 829,327

	December 31, 2019					
	Period end amounts of ALLL allocated to loans evaluated for impairment:			Loans evaluated for impairment:		
	Individually	Collectively	Total	Individually	Collectively	Total
Real estate loans:						
Construction, development & vacant	$ -	$ 1,074	$ 1,074	$ -	$ 109,571	$ 109,571
Farmland	-	260	260	471	37,043	37,514
1-4 family residential	-	741	741	31	89,298	89,329
Multifamily	-	471	471	-	53,451	53,451
Non-farm non-residential owner occupied	142	596	738	1,268	75,339	76,607
Non-farm non-residential non-owner occupied	-	911	911	5,269	100,883	106,152
Commercial & industrial	304	1,429	1,733	1,773	136,695	138,468
Agricultural production	398	238	636	2,117	32,514	34,631
Consumer	-	75	75	35	5,691	5,726
Other	-	63	63	-	7,808	7,808
	$ 844	$ 5,858	$ 6,702	$ 10,964	$ 648,293	$ 659,257

(Dollars in thousands, except share and per share amounts)

Impaired Loans

During the years ended December 31, 2020 and 2019, interest income recognized on impaired loans was $947 and $698, respectively.

The following tables present impaired loans by class of loans:

	December 31, 2020					
	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment during year
Real estate loans:						
Construction, development & vacant	$ 10	$ 10	$ -	$ 10	$ -	$ 10
Farmland	44	43	-	43	-	44
1-4 family residential	50	50	-	50	-	53
Multifamily	-	-	-	-	-	-
Non-farm non-residential owner occupied	6,937	976	6,081	7,057	911	7,016
Non-farm non-residential non-owner occupied	6,063	4,529	1,569	6,098	-	6,581
Commercial & industrial	2,858	352	2,537	2,889	486	3,468
Agricultural production	379	-	379	379	222	409
Consumer	29	15	14	29	8	33
Other	-	-	-	-	-	-
	$ 16,370	$ 5,975	$ 10,580	$ 16,555	$ 1,627	$ 17,614

	December 31, 2019					
	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment during year
Real estate loans:						
Construction, development & vacant	$ -	$ -	$ -	$ -	$ -	$ -
Farmland	471	472	-	472	-	253
1-4 family residential	31	32	-	32	-	46
Multifamily	-	-	-	-	-	-
Non-farm non-residential owner occupied	1,268	536	738	1,274	142	1,491
Non-farm non-residential non-owner occupied	5,269	5,300	-	5,300	-	5,243
Commercial & industrial	1,773	1,327	440	1,768	304	2,101
Agricultural production	2,117	905	1,302	2,206	398	1,670
Consumer	35	24	10	34	-	10
Other	-	-	-	-	-	-
	$ 10,964	$ 8,596	$ 2,490	$ 11,086	$ 844	$ 10,814

(Dollars in thousands, except share and per share amounts)

Troubled Debt Restructurings ("TDR's")

There were no loans modified as TDR loans within the twelve months ended December 31, 2020. The following table presents the amortized cost of loans modified as TDRs during the twelve months ended December 31, 2019. There were seven new TDRs during the year ended December 31, 2019.

	December 31, 2019					
	Loan Modification					
	Count	Payment reduced and/or maturity extended	Interest Rate Adjusted	Combination	Balance Before Restructure	Balance at Year End
Non-farm non-residential owner occupied	1	$ -	$ -	$ 150	$ 156	$ 150
Agricultural production	5	386	-	-	388	386
Consumer	1	25	-	-	26	25
	7	$ 411	$ -	$ 150	$ 570	$ 561

During the years ended December 31, 2020 and 2019, there were no defaults on loans restructured as TDRs. A default for purposes of this disclosure is a troubled debt restructured loan in which the borrower is 90 days past due or results in the foreclosure and repossession of the applicable collateral. These loans have no unfunded commitments.

In response to the COVID-19 pandemic, the Company implemented a short-term modification program in late March 2020 to provide temporary payment relief to borrowers who meet the program's qualifications for temporary suspension of TDR requirements under Section 4013 of the CARES Act. This program allows for a deferral of payments for 90 days, which we may extend for an additional 90 days, for a maximum of 180 days on a cumulative basis. The deferred payments along with interest accrued during the deferral period are due and payable on the maturity date of the existing loan. As of December 31, 2020, 8 loans with a total outstanding balance of $2,245 remain on deferral. Under the applicable guidance, none of these loans were considered restructured as of December 31, 2020.

Certain Acquired Loans

In 2017, all loans acquired through the acquisition of Hamlin National Bank, were classified as acquired performing loans and had gross contractual balances of $32,303 and total fair values of $31,727, which resulted in a discount of $576 as of the acquisition date. At December 31, 2020 and 2019, unaccreted discounts on loans totaled approximately $119 and $185, respectively, and were included in net loans in the accompanying consolidated balance sheet.

(Dollars in thousands, except share and per share amounts)

4. Premises and Equipment

Premises and equipment in the accompanying consolidated balance sheet consisted of the following:

	Estimated Useful Life	December 31, 2020	December 31, 2019
Building and improvements	5 - 40 yrs	$ 21,223	$ 20,926
Furniture and equipment	3 - 15 yrs	7,373	6,731
Land		2,525	2,525
Software	3 – 7 yrs	1,818	1,463
Art		124	124
Construction in progress		1,026	198
Vehicles	5 yrs	98	98
		34,187	32,065
Less accumulated depreciation		11,534	10,104
		$ 22,653	$ 21,961

As of December 31, 2020 and 2019, depreciation expense totaled $1,454 and $1,284, respectively, and is included in occupancy and equipment in the accompanying consolidated statement of income and comprehensive income.

5. Investments in Non-Marketable Equity Securities and Partnership Interests

Vista held investments in non-marketable equity securities and partnership interests. These investments do not have a readily determinable fair value and are held at cost in the accompanying consolidated balance sheet. These equity investments were as follows:

	December 31, 2020	December 31, 2019
FHLB stock	$ 2,217	$ 1,988
FRB stock subscription	1,969	1,905
Other non-marketable equity securities and partnership interests	1,178	1,194
Total	$ 5,364	$ 5,087

(Dollars in thousands, except share and per share amounts)

6. Intangible Assets

Intangible assets in the accompanying consolidated balance sheet are summarized as follows:

		December 31, 2020		
	Amortization Period	Gross Intangible Asset	Accumulated Amortization	Net Intangible Asset
Core deposit intangible	10 Years	$ 908	$ 325	$ 583
Servicing asset	14.6 Years	100	45	55
		$ 1,008	$ 370	$ 638

		December 31, 2019		
	Amortization Period	Gross Intangible Asset	Accumulated Amortization	Net Intangible Asset
Core deposit intangible	10 Years	$ 908	$ 235	$ 673
Servicing asset	14.6 Years	100	30	70
		$ 1,008	$ 265	$ 743

For the years ended December 31, 2020 and 2019, amortization expense related to core deposit intangible assets of $90 and $91, respectively, is included within other general and administrative expenses in the accompanying consolidated statement of income and comprehensive income.

For the year ended December 31, 2020 and 2019, amortization expense related to servicing assets of $15 and $19, respectively, is included within other noninterest income in the accompanying consolidated statement of income and comprehensive income.

The estimated aggregate future amortization expense for intangible assets remaining as of December 31, 2020 is as follows:

Year	Amount
2021	$ 103
2022	101
2023	99
2024	97
2025	96
Thereafter	142
	$ 638

(Dollars in thousands, except share and per share amounts)

7. Goodwill

Changes in the carrying amount of goodwill are summarized as follows:

	December 31,	
	2020	2019
Beginning of year	$ 3,427	$ 3,427
Effect of acquisitions	-	-
Impairment losses	-	-
End of year	$ 3,427	$ 3,427

8. Deposits

Composition of deposits are as follows:

	December 31,	
	2020	2019
Time deposits of $250,000 or more	$ 77,607	$ 86,517
Time deposits less than $250,000	104,552	123,948
Total time deposits	$ 182,159	$ 210,465
Non-time deposits	921,120	569,924
Total deposits	$ 1,103,279	$ 780,389

Time deposits scheduled maturities as of December 31, 2020 follow:

Year	Amount
2021	$ 176,546
2022	5,421
2023	192
2024	-
2025	-
	$ 182,159

(Dollars in thousands, except share and per share amounts)

9. FHLB Advances and Other Credit Extensions

Federal Home Loan Bank ("FHLB")

As of December 31, 2020 and 2019 advances from the FHLB totaled $20,000 and $40,000, respectively. The advances are utilized to meet liquidity needs and are collateralized by a blanket lien on certain loans and FHLB stock owned.

As of December 31, 2020, the Company has one advance from the FHLB totaling $20,000. The advance bears interest at a fixed interest rate of 0.70% with a 15-year final maturity and one-year lockout period. The FHLB has the option to terminate the advance on a quarterly basis through the final maturity in August 2034 after the lockout period ends in August 2020.

As of December 31, 2019, the Company had two advances from the FHLB, one for $20,000 that had a fixed rate fixed term of 1.89% that matured in 2020. The second advance for $20,000 has a fixed interest rate of 0.70% with a 15-year final maturity and one-year lockout period. After the lockout period ends in August 2020, the FHLB has the option to terminate the advance on a quarterly basis through the final maturity in August 2034.

The Company had $70,550 in commitments associated with outstanding standby letters of credit as of December 31, 2020 and 2019, utilized for pledging of public entity deposits. The Company had the availability to borrow additional funds of approximately $209,116 and $173,940 as of December 31, 2020 and 2019, respectively.

Other Credit Extensions

As of December 31, 2020 and 2019, the company maintained three credit facilities with commercial banks with an availability to borrow up to an aggregate amount of approximately $40,600. There were no borrowings against these lines as of December 31, 2020 and 2019.

10. Borrowed Funds

In December 2016, the Company acquired property for a branch in Dallas, Texas. In conjunction with the purchase of this property, the Bank's wholly owned subsidiary assumed two loans totaling $3,061 from the previous owner of the building. The notes bear interest at a rate of 4.875%, require combined monthly payments of principal and interest of $19 and mature on September 1, 2038. The notes are secured by a deed of trust on the purchased property. As of December 31, 2020 and 2019, the outstanding balance on the notes payable totaled $2,712 and $2,805, respectively.

The contractual principal payments at December 31, 2020 are as follows:

2021	$	99
2022		103
2023		109
2024		114
2025		120
Thereafter		2,167
Total	$	2,712

NexBank Revolving Line of Credit

The Company originally entered into a loan agreement with NexBank on December 23, 2019, which provided for a $20,000 revolving line of credit, or Line of Credit Agreement. The Company amended the agreement on September 16, 2020, exercising the an option to extend the original maturity by 1 year, raising the line of credit from $20,000 to $35,000, and lowering the interest rate floor from 4.50% to 4.25%. Interest accrues on outstanding borrowings at a rate equal to the maximum “Latest” U.S. prime rate of interest per annum but in no event less than 4.25%. Interest is payable monthly. The entire outstanding balance and unpaid interest is payable in full on the maturity date of December 21, 2021. The Company has a 1-year option remaining to extend the maturity date so long as the Company is not in default under the terms of the agreement.

The Company may prepay the principal amount of the Line of Credit without premium or penalty. The obligations of the Company under the Line of Credit Agreement are secured by a valid and perfected first priority lien on all of the issued and outstanding shares of capital stock of the Bank and all assets of the holding company.

Covenants made under the Line of Credit Agreement include, but not limited to, the Company maintaining a leverage ratio of greater than 7%, the bank maintaining a leverage ratio of greater than 8%, the Bank’s Texas Ratio (as defined in the Line of Credit Agreement) not to exceed 40%, the Bank’s Total Capital Ratio (as defined under the Line of Credit Agreement) of not less than 11% and restrictions on the ability of the Company and its subsidiaries to incur certain additional debt.

As of December 31, 2020, the Company had total advances outstanding of $18,000 under the NexBank revolving line of credit and $21 in debt issuance costs. As of December 31, 2019, the Company had not drawn under the NexBank revolving line of credit.

11. Paycheck Protection Program Liquidity Facility (“PPPLF”)

In conjunction with the PPP, the Company is also currently participating in the Federal Reserve's Paycheck Protection Program Liquidity Facility (“PPPLF”) which, through December 31, 2020, extended loans to banks that are loaning money to small businesses under the PPP. The amount outstanding at December 31, 2020, was $89,971 and is non-recourse and secured by the amount of the PPP loans we originated. The maturity date of a borrowing under the PPP Liquidity Facility is equal to the maturity date in 2022 of the PPP loan pledged to secure the borrowing and would be accelerated (i) if the underlying PPP loan goes into default and is sold to the SBA to realize on the SBA guarantee or (ii) to the extent that any loan forgiveness reimbursement is received from the SBA. Borrowings under the PPPLF are included in long-term liabilities on the Company’s consolidated balance sheet and bear interest at a rate of 0.35%.

(Dollars in thousands, except share and per share amounts)

12. Income Taxes

The provision for income taxes consisted of the following:

	December 31,	
	2020	**2019**
Current income tax expense	$ 1,476	$ 1,703
Deferred income tax benefit	(331)	(657)
Federal income tax expense	1,145	1,046
Texas franchise tax expense	36	6
Income tax expense as reported	$ 1,181	$ 1,052

A reconciliation of reported income tax expense to the amount computed by the Company's statutory income tax rate of 21% at December 31, 2020 and 2019, respectively, to income before income taxes is presented below:

	December 31,	
	2020	**2019**
Income tax expense computed as the statutory rate	$ 2,185	$ 1,134
Tax exempt municipal interest	(75)	(97)
Earnings from bank-owned life insurance	(106)	(69)
Texas franchise tax expense	36	6
Other, net	(859)	78
Income tax expense as reported	$ 1,181	$ 1,052

(Dollars in thousands, except share and per share amounts)

Components of deferred tax assets and liabilities are presented in the table below and are included within other assets in the accompanying consolidated balance sheet. As a result of the Tax Act, deferred taxes as of December 31, 2020 and 2019 are based on the U.S. statutory federal income tax rate of 21%.

	December 31,	
	2020	**2019**
Deferred tax assets:		
Allowance for loan losses	$ 2,369	$ 1,407
Loan purchase discount	25	39
Deferred compensation	128	96
Nonaccrual interest	64	69
Limited partnerships	-	23
Stock based compensation	117	90
Deferred rent	11	13
Accrued expenses	666	1,404
Deferred Fees	336	-
Other	42	43
Total deferred tax assets	3,758	3,184
Deferred tax liabilities:		
Net unrealized gain on securities available for sale	291	93
Premises and equipment	1,080	854
Core deposit intangibles	122	141
Servicing asset	11	15
FHLB stock	24	19
Limited partnerships	34	-
Other	5	4
Total deferred tax liability	1,567	1,126
Net deferred tax asset	$ 2,191	$ 2,058

GAAP prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the consolidated financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of cumulative benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Current authoritative accounting GAAP also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties.

(Dollars in thousands, except share and per share amounts)

13. Commitments and Contingent Liabilities

Operating Leases

The Company leases banking facilities and equipment under operating leases. Rent expense related to these leases during the years ended December 31, 2020 and 2019, was $366 and $353, respectively, and is included in occupancy and equipment expense in the accompanying consolidated statement of income and comprehensive income. As of December 31, 2020, future minimum lease payments, exclusive of taxes and other charges, under non-cancelable operating leases for each of the next five years are as follows:

Year Ending December 31,		Future Minimum Lease Payments
2021	$	316
2022		254
2023		82
2024		-
2025		-
Total	$	652

Litigation

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

Ligation Settled in 2020

In February 2020, a lawsuit was filed against the Company by a third party related to a deposit-related fraud loss that occurred in 2018. Shortly thereafter, although the Company believed the claims were without merit, the Company determined it was in the best interest of the Bank to settle and reached a settlement with the third party, agreeing to pay the third party $7,500. Accordingly, an accrual in the amount of $7,500 related to the settlement is included in the accompanying consolidated balance sheet as of December 31, 2019. The $7,500 settlement included returning $1,100 of deposits related to the third party. The remaining settlement amount of $6,400 is included in legal settlement, net of recoveries in the accompanying consolidated statement of income and comprehensive income as of December 31, 2019. The settlement payment of $7,500 was paid in 2020 and the lawsuit was dismissed.

14. Preferred Stock

The Company is authorized to issue 1 million shares of senior non-cumulative perpetual preferred stock ("Preferred Stock") without par value. Preferred Stock shares outstanding rank senior to common shares in dividend and liquidation preference but have no general voting rights.

As of December 31, 2020 and 2019, there were no outstanding shares of preferred stock.

(Dollars in thousands, except share and per share amounts)

15. Stockholders' Equity and Regulatory Matters

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

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

Financial institutions are categorized as well capitalized or adequately capitalized, based on minimum total risk- based, Tier I risk-based and Tier I leverage ratios as set forth in the tables below. As shown below, the Bank's capital ratios exceed the regulatory definition of well capitalized as of December 31, 2020 and 2019. Based upon the information in its most recently filed call report, the Bank continues to meet the capital ratios necessary to be well capitalized under the regulatory framework for prompt corrective action. Presented in the following table are the Bank and Company actual capital amounts and ratios compared to the Bank's required capital amounts and ratios:

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:						
Total Risk-Based Capital to Risk-Weighted Assets:						
Company	$ 105,691	13.51 %	$ 62,585	8.0 %	$ N/A	N/A
Vista	$ 121,255	15.49 %	$ 62,624	8.0 %	$ 72,280	10.0 %
Tier 1 Capital to Risk-Weighted Assets:						
Company	$ 95,890	12.25 %	$ 46,967	6.0 %	$ N/A	N/A
Vista	$ 111,454	14.24 %	$ 46,961	6.0 %	$ 62,615	8.0 %
Common Tier I (CET1):						
Company	$ 95,890	12.25 %	$ 35,225	4.5 %	$ N/A	N/A
Vista	$ 111,454	14.24 %	$ 35,221	4.5 %	$ 50,874	6.5 %
Tier 1 Capital to Adjusted Average Assets:						
Company	$ 81,448	8.12 %	$ 47,236	4.0 %	$ N/A	N/A
Vista	$ 111,454	9.44 %	$ 47,226	4.0 %	$ 59,033	5.0 %

(Dollars in thousands, except share and per share amounts)

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019:						
Total Risk-Based Capital to Risk-Weighted Assets:						
Company	$ 88,150	12.33 %	$ 57,194	8.0 %	$ N/A	N/A
Vista	$ 87,172	12.19 %	$ 57,209	8.0 %	$ 71,511	10.0 %
Tier 1 Capital to Risk-Weighted Assets:						
Company	$ 81,448	11.39 %	$ 42,905	6.0 %	$ N/A	N/A
Vista	$ 80,470	11.25 %	$ 42,917	6.0 %	$ 57,223	8.0 %
Common Tier I (CET1):						
Company	$ 81,448	11.39 %	$ 32,179	4.5 %	$ N/A	N/A
Vista	$ 80,470	11.25 %	$ 32,188	4.5 %	$ 46,494	6.5 %
Tier 1 Capital to Adjusted Average Assets:						
Company	$ 81,448	9.34 %	$ 34,881	4.0 %	$ N/A	N/A
Vista	$ 80,470	9.24 %	$ 34,835	4.0 %	$ 43,544	5.0 %

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and was fully phased in on January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer was phased in at the rate of 0.625% per year from 0.0% in 2015 to 2.50% on January 1, 2019. The capital conservation buffer was 2.50% at December 31, 2020 and 2019.

State banking regulations place certain restrictions on Vista's dividend payments to VBI. Dividends paid by Vista would be prohibited if the effect of the dividends would cause Vista's capital to be reduced below applicable minimum capital requirements.

Stock Purchase Agreement & Private Placement Memorandum

In the first quarter of 2019, 35,574 shares of the Company's common stock, at a purchase price of $56.22 per share, were purchased through a private stock purchase agreement.

16. Financial Instruments with Off-Balance Sheet Risk

Credit-Related Financial Instruments

In the normal course of business to meet the financing needs of its customers, the Company is a party to credit-related financial instruments with off-balance sheet risk. These instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying CFS. The Company's exposure to credit loss is represented by the contractual amount of these commitments. Management applies the same policies in making decisions to extend credit under on- and off-balance sheet instruments.

The following off-balance sheet financial instruments, whose contract amounts represent credit risk, were outstanding (at contract amounts):

	December 31, 2020	December 31, 2019
Unfunded lines of credit	$ 106,354	$ 118,711
Commercial and standby letters of credit	1,787	5,178

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. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit and other revolving credit arrangements are commitments for possible future extensions of credit to existing customers. These lines of credit may be uncollateralized, may not contain a specified maturity date, and may not be drawn upon to the total extent of the commitment.

Commercial and standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Substantially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers and collateral is generally held supporting those commitments, as management deems necessary.

Collateral Requirements

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on management's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, real estate, equipment, and vehicles.

(Dollars in thousands, except share and per share amounts)

17. Equity Compensation

In 2014, upon shareholder approval, the Company adopted the 2014 Stock Option Plan (the "Stock Plan"). The Stock Plan permits the grant of stock options for up to 100,000 shares of common stock of the Company from time to time during the term of the plan, subject to adjustment upon changes in capitalization. Under the Stock Plan, the Company may grant either incentive stock options or non-statutory stock options to eligible directors, executive officers, key employees, and non-employee shareholders of the Company. Options are generally granted with an exercise price equal to the market price of the Company's stock at the date of the grant. Option awards generally vest based on 3 to 5 years of continuous service and have 10-year contractual terms for non-controlling participants as defined by the Stock Plan. Other grant terms can vary for controlling participants as defined by the Stock Plan.

Stock based compensation expense is measured based upon the fair value of the award at the grant date and is recognized ratably over the period during which the shares are earned (the requisite service period). For the years ended December 31, 2020 and 2019, approximately $145 and $127 of stock compensation expense related to the Stock Plan, respectively, was recognized in the accompanying consolidated statements of operation and comprehensive income. As of December 31, 2020 and 2019, there was approximately $76 and $221, respectively, of unrecognized compensation expense related to non-vested share-based compensation awards that is expected to be recognized over the remaining weighted average requisite service period of 1.41 years.

The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions used for the grants:

	December 31,	
	2020	**2019**
Dividend yield	– %	0.00%
Expected life	–	6.5 years
Expected volatility	– %	8.66%
Risk-free interest rate	– %	2.04%

The expected life is based on the expected amount of time that options granted are expected to be outstanding. The dividend yield assumption is based on the Company's history. The expected volatility is based on historical volatility of the Company and publicly traded companies. The risk-free interest rates are based upon yields of U.S. Treasury issues with a term equal to the expected life of the option being valued.

(Dollars in thousands, except share and per share amounts)

A summary of option activity under the Stock Plan as of December 31, 2020 and 2019, and changes during the years then ended is presented below:

	December 31,							
	2020				2019			
	Shares Underlying Options		Weighted Exercise Price	Weighted Average Contractual Term	Shares Underlying Options		Weighted Exercise Price	Weighted Average Contractual Term
Outstanding at beginning of year	94,136	$	46.92	5.55 yrs	84,821	$	44.81	5.25 yrs
Granted during the year	–				17,828		55.00	
Forfeited during the year	–				(1,750)		46.00	
Exercised during the year	(6,763)		42.00		(6,763)		42.00	
Outstanding at the end of the year	87,373	$	47.30	4.90 yrs	94,136	$	46.92	5.55 yrs
Options exercisable at end of year	75,197	$	46.05	4.31 yrs	59,947	$	44.68	4.08 yrs
Weighted average fair value of options granted during the year		$	–			$	8.74	

The total intrinsic value of outstanding in-the-money stock options and outstanding in-the-money exercisable stock options was $1,346 and $1,252 at December 31, 2020 and $761 and $618 for December 31, 2019. The intrinsic value of stock options exercised during the years ended December 31, 2020 and 2019 was $140 and $88, respectively.

The following table summarizes the activity in non-vested options for the years ended December 31, 2020 and 2019:

	Number of Shares		Weighted Average Grant Date Fair Value
Non-vested shares, January 1, 2019	33,387	$	5.97
Granted during the period	17,828		8.74
Vested during the period	(16,381)		5.93
Forfeited during the period	(646)		5.53
Non-vested shares, December 31, 2019	34,188	$	7.44
Granted during the period	–		–
Vested during the period	(22,012)		6.70
Forfeited during the period	–		–
Non-vested shares, December 31, 2020	12,176	$	8.78

Additionally, in November 2016, the Company adopted the Vista Bank Equity Incentive Plan to issue restricted stock to eligible directors, executive officers, key employees of the Company.

During 2018, 86,259 shares of restricted stock were awarded to certain key employees with a total estimated fair value of $4,208. These shares generally vest over 10 years. During the year ended December 31, 2020, the board approved to accelerate the vesting of 85,129 of these shares. Included in the accompanying consolidated statement of income and comprehensive income for the year ended December 31, 2020 and 2019 is $3,824 and $425 of stock-based compensation related to these awards.

(Dollars in thousands, except share and per share amounts)

During the years ended December 31, 2020 and 2019, 6,130 and 11,312 shares of restricted stock with a total estimated fair value of approximately $209 and $560 were issued under the equity incentive plan to certain key employees and executives to settle previously accrued bonuses as of December 31, 2020 and 2019. As of December 31, 2020, there was $69 of unrecognized compensation expense related to the non-vested restricted stock. The shares were issued in lieu of cash.

	Number of Shares		Weighted Average Grant Date Fair Value
Non-vested shares, January 1, 2019	86,449	$	48.62
Granted during the period	11,312		49.50
Vested during the period	(14,111)		48.96
Non-vested shares, December 31, 2019	83,650	$	48.68
Granted during the period	6,130		56.43
Vested during the period	(87,087)		49.07
Non-vested shares, December 31, 2020	2,693	$	53.79

During the years ended December 31, 2020 and 2019, 5,000 and 3,915 shares of stock with a total estimated fair value of approximately $275 and $212 were issued under the equity incentive plan to certain directors to settle previously accrued board fees as of December 31, 2019 and 2018. The shares were issued in lieu of cash.

18. Employee Benefits

401(k) Plan

The Company sponsors the Vista Bancshares, Inc. 401(k) Profit Sharing Plan (the "Plan"). The Plan allows eligible employee salary deferrals and employer safe harbor matching, discretionary matching, discretionary profit- sharing, and qualified non-elective contributions ("QNEC"). Vista makes safe harbor matching contributions equal to each participant's annual elective salary deferrals of up to 3% of the participants' compensation and an additional 50% of salary deferrals from 3% to 5% of the participants' compensation. Entry dates for new employees are the first of any month following completion of 500 hours of service within the first six months of service, or after being credited with a year of service. Participants are always fully-vested in their salary deferrals and employer safe harbor matching and QNEC contributions. Participants vest in employer discretionary matching and discretionary profit-sharing contributions under a six-year graded vesting schedule, except that participants become fully-vested upon death or disability. Vista's contribution expense for 2020 and 2019 was $375 and $311, respectively, and is included in personnel costs in the accompanying consolidated statement of income and comprehensive income.

Employee Insurance Benefits

Vista insures employee health, dental, disability, and life benefits with third party insurers. Vista's expense for these benefits for the years ended December 31, 2020 and 2019 was $1,066 and $926, respectively, and is included in personnel costs in the accompanying consolidated statement of income and comprehensive income.

Non-Qualified Deferred Compensation

Vista has entered into an IRC§409A non-qualified deferred compensation arrangement with certain employees. Expense related to these arrangements was $146 and $182 in 2020 and 2019, respectively, and included in personnel costs in the consolidated statement of income and comprehensive income. The related accrued liability included in accrued expenses and other liabilities in the accompanying consolidated balance sheet was $608 and $456 at December 31, 2020 and 2019, respectively.

19. Related Party Transactions

In the ordinary course of business, Vista enters into transactions with related parties, including its officers, directors, and significant stockholders. These loans are on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unaffiliated persons and do not involve more than normal risk of collectability. As of December 31, 2020, outstanding loans to this group aggregated approximately $29,023, of which $21,101 were sold as participations. As of December 31, 2019, outstanding loans to this group aggregated approximately $34,225 of which $20,937 were sold as participations. During the year ended December 31, 2020, new advances of approximately $7,657 were made to related parties with approximately $12,859 principal payments received. During the year ended December 31, 2019, new advances of approximately $15,346 were made to related parties with approximately $2,206 principal payments received. There were $3,652 and $1,710 in unfunded commitments to related parties as of December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, the Company had approximately $3,484 and $3,766, respectively, in deposits from related parties, including executive officers, directors, and significant shareholders on terms similar to those from third parties.

Wick Phillips Gould & Martin, LLP ("Wick Phillips") has represented Vista in various legal matters. Mr. Wick is a member of our board of directors and partner at Wick Phillips. Vista paid legal fees of $55 and $147 to Wick Phillips for the years ended December 31, 2020 and 2019 respectively.

20. Fair Value Measurements

AFS securities are the only assets measured and reported at fair value on a recurring basis in the accompanying financial statements and their values are based on level 2 valuation inputs under the fair value hierarchy. No liabilities are measured and reported at fair value on a recurring basis in the accompanying CFS.

Certain financial assets and liabilities 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).

Impaired loans. Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on the discounting of the collateral measured by appraisals. At December 31, 2020, impaired loans with carrying values of approximately $16,555 were reduced by specific valuation allowances totaling approximately $1,627 resulting in a net fair value of $14,928, based on Level 3 inputs. At December 31, 2019, impaired loans with carrying values of approximately $11,086 were reduced by specific valuation allowances totaling approximately $844 resulting in a net fair value of $10,242, based on Level 3 inputs.

Non-financial assets measured at fair value on a nonrecurring basis during the years ended December 31, 2020 and 2019, include certain properties and included in foreclosed assets which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for loan losses and certain properties included in foreclosed assets which, subsequent to their initial recognition, were remeasured at fair value through a write-down included in current earnings. The fair value of foreclosed assets is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. At December 31, 2020 and 2019, there were no foreclosed assets that required material write-downs to fair value upon or subsequent to their initial recognition.

Supplemental Consolidating Information

Vista Bancshares, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2020
(Dollars in thousands)

	Vista Bank	NWHWY 5840 LLC	Ref	Eliminations	Vista Bank Consolidated	Cash on Demand	Vista Bancshares, Inc.	Ref	Eliminations	Vista Bancshares, Inc. and Subsidiaries
Assets										
Cash and due from banks	$ 437,977	$ 217	*(1)*	$ (217)	$ 437,977	$ 1	$ 4,638	*(1)*	$ (4,639)	$ 437,977
Investment securities available for sale, at fair value	35,399	-		-	35,399	-	-		-	35,399
Loans and leases,net	816,257	-		-	816,257	-	-		-	816,257
Accrued interest receivable	5,222	-		-	5,222	-	-		-	5,222
Premises and equipment, net	14,295	8,358		-	22,653	-	-		-	22,653
Bank-owned life insurance, at cash surrender value	10,784	-		-	10,784	-	-		-	10,784
Foreclosed and repossessed assets, net	325	-		-	325	-	-		-	325
Investments in non-marketable equity securities and partnership interests	5,364	-		-	5,364	-	-		-	5,364
Goodwill	2,575	-		-	2,575	-	852		-	3,427
Intangible assets	638	-		-	638	-	-		-	638
Other assets	13,095	-	*(2)*	(5,863)	7,232	-	115,708	*(2)*	(117,765)	5,175
Total assets	**$ 1,341,931**	**$ 8,575**		**$ (6,080)**	**$ 1,344,426**	**$ 1**	**$ 121,198**		**$ (122,404)**	**$ 1,343,221**
Liabilities and stockholders' equity										
Deposits:										
Noninterest-bearing	$ 103,493	$ -	*(1)*	$ (217)	$ 103,276	$ -	$ -	*(1)*	$ (4,639)	$ 98,637
Interest-bearing	1,004,642	-		-	1,004,642	-	-		-	1,004,642
Total deposits	**1,108,135**	**-**		**(217)**	**1,107,918**	**-**	**-**		**(4,639)**	**1,103,279**
FHLB advances	20,000	-		-	20,000	-	-		-	20,000
Borrowed funds	-	2,712		-	2,712	-	17,979		-	20,691
Paycheck Protection Program Liquidity Facility	89,971	-		-	89,971	-	-		-	89,971
Accrued interest payable	69	-		-	69	-	-		-	69
Accrued expenses and other liabilities	8,049	-		-	8,049	-	2,224		(2,057)	8,216
Total liabilities	**1,226,224**	**2,712**	*(2)*	**(217)**	**1,228,719**	**-**	**20,203**	*(2)*	**(6,696)**	**1,242,226**
Common stock	1,800	-		-	1,800	1	1,862	*(2)*	(1,801)	1,862
Additional paid-in capital	84,510	6,757	*(2)*	(6,757)	84,510	-	59,175	*(2)*	(84,510)	59,175
Retained earnings	28,302	(894)	*(2)*	894	28,302	-	39,225	*(2)*	(28,302)	39,225
Treasury stock	-	-		-	-	-	(362)		-	(362)
Accumulated other comprehensive income	1,095	-		-	1,095	-	1,095	*(2)*	(1,095)	1,095
Total stockholders' equity	115,707	5,863		(5,863)	115,707	1	100,995		(115,708)	100,995
Total liabilities and stockholders' equity	**$ 1,341,931**	**$ 8,575**		**$ (6,080)**	**$ 1,344,426**	**$ 1**	**$ 121,198**		**$ (122,404)**	**$ 1,343,221**

(1) Eliminate intercompany accounts.
(2) Eliminate investment in subsidiaries.

See accompanying independent auditor's report.

Vista Bancshares, Inc. and Subsidiaries
Consolidating Statement of Income
Year Ended December 31, 2020
(Dollars in thousands)

	Vista Bank	NWHWY 5840 LLC	Ref	Eliminations	Vista Bank Consolidated	Cash on Demand	Vista Bancshares, Inc.	Ref	Eliminations	Vista Bancshares, Inc. and Subsidiaries
Interest income:										
Loans, including fees	$ 43,589	$ -		$ -	43,589	$ -	$ -		$ -	$ 43,589
Investment securities available for sale	806	-		-	806	-	-		-	806
Interest-bearing deposits in banks	1,383	-		-	1,383	-	-		-	1,383
Total interest income	45,778	-		-	45,778	-	-		-	45,778
Interest expense:										
Deposits	5,102	-		-	5,102	-	-		-	5,102
Debt	565	135		-	700	-	204		-	904
Total interest expense	5,667	135		-	5,802	-	204		-	6,006
Net interest income	40,111	(135)		-	39,976	-	(204)		-	39,772
Provision for loan losses	6,423	-		-	6,423	-	-		-	6,423
Net interest income after provision for loan losses	33,688	(135)		-	33,553	-	(204)		-	33,349
Noninterest income:										
Service charges on deposit accounts	1,995	-		-	1,995	-	-		-	1,995
Gain on sale of loans	3,345	-		-	3,345	-	-		-	3,345
Other	1,382	-		-	1,382	-	-		-	1,382
Equity in undistributed income	-	-		-	-	-	9,923	*(1)*	(9,923)	-
Total noninterest income	6,722	-		-	6,722	-	9,923		(9,923)	6,722
Noninterest expense:										
Personnel costs	18,038	-		-	18,038	-	-		-	18,038
Occupancy and equipment	2,461	272		-	2,733	-	-		-	2,733
Software and data processing	2,936	-		-	2,936	-	-		-	2,936
Marketing	848	-		-	848	-	-		-	848
Professional, regulatory, and consulting	1,763	-		-	1,763	-	-		-	1,763
Foreclosed and repossessed asset expenses, net	9	-		-	9	-	-		-	9
Communication	720	-		-	720	-	-		-	720
Other general and administrative	2,171	-	*(1)*	(322)	1,849	-	735		-	2,584
Total noninterest expense	28,946	272		(322)	28,896	-	735		-	29,631
Income before income taxes	11,464	(407)		322	11,379	-	8,984		(9,923)	10,440
Income tax expense	1,541	(85)		-	1,456	-	(275)		-	1,181
Net Income	**$ 9,923**	**$ (322)**		**$ 322**	**$ 9,923**	**$ -**	**$ 9,259**		**$ (9,923)**	**$ 9,259**

(1) Eliminate equity in losses in subsidiaries.

See accompanying independent auditor's report.