

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.

**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

I, Aaron K. Flencher

Name of the Holding Company Director and Official

President and 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.

C.S.B. Bancshares, Inc.

Legal Title of Holding Company

PO Box 518

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

Somerville TX 77879

City

State

Zip Code

155 8th St

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Stacey Teague

VP, Compliance

Name

Title

979-596-1421

Area Code / Phone Number / Extension

979-596-2078

Area Code / FAX Number

steague@csbtbank

E-mail Address

N/A

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

Signature of Holding Company Director and Official

03/29/2021

REVISED 5/24/2021

Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID \_\_\_\_\_

C.I. \_\_\_\_\_

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.

C.S.B. Delaware, Inc.  
Legal Title of Subsidiary Holding Company

155 8th St/ PO Box 518  
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

Somerville TX 77879  
City State Zip Code

1209 Orange St, Wilmington, DE 19801-1134  
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)

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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)

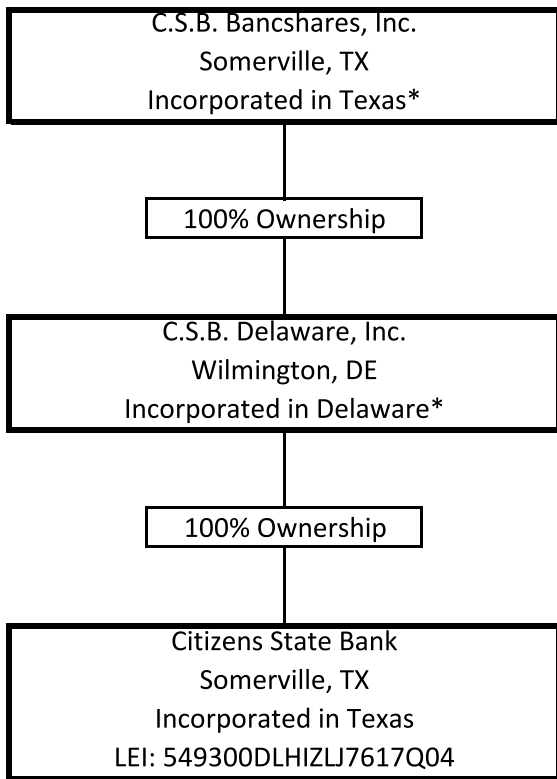
Form FR Y-6

C.S.B. Bancshares, Inc.  
Somerville, TX  
As of 12/31/2020

Report Item

1: The bank holding company prepares an annual report for its shareholders and is not registered with the SEC. This report has been amended to include the current year shareholders report held April 8, 2021.

2a: Organizational Chart



**Note\*:** C.S.B. Bancshares, Inc. and C.S.B. Delaware do not have a legal entity identifier (LEI).

**Report Item 2b: Domestic Branch Listing**

**Results:** A list of branches for your depository institution: **CITIZENS STATE BANK (ID\_RSSD: 261360)**. This depository institution is held by **C.S.B. BANCSHARES, INC. (2100089)** of **SOMERVILLE, 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)	261360	CITIZENS STATE BANK	155 8TH STREET	SOMERVILLE	TX	77879	BURLESON	UNITED STATES	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		261360	
OK		Full Service	3546255	BRENNHAM BRANCH	2007 S DAY ST	BRENNHAM	TX	77833	WASHINGTON	UNITED STATES	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		261360	
OK		Full Service	1457955	CALDWELL BRANCH	201 EAST BUCK STREET	CALDWELL	TX	77836	BURLESON	UNITED STATES	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		261360	
OK		Full Service	1392618	DEANVILLE BRANCH	6498 FM 111	DEANVILLE	TX	77852	BURLESON	UNITED STATES	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		261360	
OK		Full Service	3622216	NAVASOTA BRANCH	9109 HIGHWAY 90 SOUTH	NAVASOTA	TX	77868	GRIMES	UNITED STATES	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		261360	
OK		Full Service	3546264	SNOOK BRANCH	9981 FM 2155	SNOOK	TX	77878	BURLESON	UNITED STATES	UNITED STATES	Not Required	Not Required	CITIZENS STATE BANK		261360	

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C.S.B. Bancshares, Inc.  
(Parent Company)  
December 31, 2020

**Report Item 3: Securities Holders**

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

Current Securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ended 12-31-2020.		Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote as of fiscal year ended 12-31-2020.	
(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name, City, State, Country
Ervin B. Flencher, Jr. Somerville, TX, USA	USA	9.71% 5,066 common stock <sup>1,2,3</sup>	none
Ervin B. Flencher, Jr. Irrevocable Trust Somerville, TX, USA	USA	6.17% 3,217 common stock <sup>1,2,3</sup>	
<b>Ervin B. Flencher, Jr. Total Somerville, TX, USA</b>	<b>USA</b>	<b>15.88% 8,283 common stock<sup>1,2,3</sup></b>	
Aaron K. Flencher Somerville, TX, USA	USA	2.28% 1,191 common stock	
Cory R. Flencher Brenham, TX, USA	USA	2.22% 1,157 common stock	
Benjamin R. Flencher Somerville, TX, USA	USA	2.01% 1,051 common stock	
Joshua W. Flencher Somerville, TX, USA	USA	2.01% 1,051 common stock	
<b>Total Flencher Family Ownership</b>		<b>24.40% 12,733 common stock</b>	
Frances A Maler Irrevocable Trust Somerville, TX, USA	USA	6.17% 3,217 common stock	
Frances A. Maler, Estate of Somerville, TX, USA	USA	8.49% 4,429 common stock <sup>2</sup>	
<b>Estate of Frances A. Maler Total Somerville, TX, USA</b>	<b>USA</b>	<b>14.66% 7,646 common stock<sup>1,2,3</sup></b>	
Brandi N. Maler Somerville, TX, USA	USA	0.33% 174 common stock	
<b>Total Maler Family Ownership</b>		<b>8.82% 7,820 common stock</b>	

**Report Item 3: Securities Holders**

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

Current Securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ended 12-31-2020.		Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote as of fiscal year ended 12-31-2020.	
(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name, City, State, Country
William H. Giesenschlag, Jr. Somerville, TX, USA	USA	15.01% 7,829 common stock	(2)(b) Country of Citizenship or Incorporation
Nathan D. Giesenschlag Somerville, TX, USA	USA	0.21% 112 common stock	(2)(c) Number and Percentage of Each Class of Voting Securities
Natalie G. Snyder Montgomery, AL, USA	USA	0.21% 112 common stock	
Wade B. Giesenschlag Caldwell, TX, USA	USA	0.21% 112 common stock	
Gerald J. Giesenschlag Caldwell, TX USA	USA	0.21% 112 common stock	
<b>Total Giesenschlag Ownership</b>		<b>15.85% 8,277 common stock</b>	
Harry R. Neinast, Jr. Somerville, TX, USA	USA	7.40% 3,860 common stock	

**Note:** C.S.B. Bancshares stock is all common stock. Total shares outstanding is 52,165 shares.

**Note A:** Frances A. Maler passed away January 25, 2020. No changes have been made to the ownership of Ms. Maler's shares, therefore, her ownership is listed under her estate which is voted by her husband and executor of estate, Gary Maler.

<sup>1</sup> 2,469 shares included in the total number of shares/percentage ownership for Ervin B. Flencher, Jr. is owned by the EBF-HRF Family Limited Partnership. Mr. Flencher holds the right to vote these shares.

<sup>2</sup> 136 shares included in the total number of shares/percentage ownership for Ervin B. Flencher, Jr. is owned by the Flencher Family Corp. Mr. Flencher holds the right to vote these shares.

<sup>3</sup> 2,469 shares of common stock owned by the EBF-HRF Family Limited Partnership and 136 shares of common stock owned by the Flencher Family Corp, for which Fran Maler has an interest, are only included with the ownership for Ervin B Flencher, Jr as he holds the right to vote these shares.

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 C.S.B. Delaware, Inc.  
 (Subsidiary Bank Holding Company)  
 December 31, 2020

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

Current Securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ended 12-31-2020.		Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote as of fiscal year ended 12-31-2020.	
(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship or Incorporation
(1)(c) Number and Percentage of Each Clas of Voting Securities		(2)(c) Number and Percentage of Each Clas of Voting Securities	
C.S.B. Bancshares Inc. Somerville, TX, USA	USA		none
	100.00%		
	1,000 common stock		

Form FR Y-6  
C.S.B. Bancshares, Inc.  
(Parent Company)  
December 31, 2020

Report Item 4: Insiders

(1), (2), (3)(a)(b)(c) and (4)(a)(b)(c)

(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Ervin B. Flencher, Jr. Somerville, TX, USA	Banker - Citizens State Bank	Director, Chairman of the Board, Principal Shareholder	President, CEO, Director, Chairman of the Board - Citizens State Bank	Partner - Gaines, Flencher Land Dev Partnership	15.88%	none	Gaines-Flencher Land Dev Partnership  50.00%
			President, Director - CSB Delaware Inc.	Partner - Novosad, Flencher Land Dev. Partnership			Novosad-Flencher Land Dev Partnership  50.00%
			President, CEO, Manager - CSB Support LLC	Member - Aggie Riverview Ranch LLC			Aggie Riverview Ranch LLC  50.00%
				Trustee - John R. Giesenschlag Trust			John R. Giesenschlag Trust  33.33%
				Trustee - Ervin B Flencher Irrevocable Trust			Ervin B Flencher Irrevocable Trust  100.00%
				President - Flencher Family Corp (GP of EBF-HRF Family Ltd. Partnership)			
				Director, Chairman of the Board - Bluebonnet Electric Co-Op, Inc			
Harry R. Neinast, Jr. Somerville, TX, USA	Banker (Retired) - Citizens State Bank	Director, Principal Shareholder	Director - Citizens State Bank Vice President, Secretary, Director - CSB Delaware Inc. Member - CSB Support LLC	Trustee - Harry R. Neinast, Jr. Revocable Trust	7.40%	none	Harry R. Neinast, Jr. Revocable Trust  100.00%



(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Subsidiaries (include names of Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Timothy N Tietjen Bryan, TX, USA	Banker - Citizens State Bank	Vice President; Director	Vice President; Director, Branch Manager - Citizens State Bank Member - CSB Support LLC	Director, President - Burleson County Farm Bureau	0.26%	none	none
Leslie D. Schoppe Somerville, TX, USA	Banker - Citizens State Bank	Executive Vice President, Cashier	Executive Vice President & Cashier - Citizens State Bank Executive Vice President, Treasurer, Member - CSB Support LLC	n/a	1.38%	none	none
Aaron K. Flencher Somerville, TX, USA	Banker - Citizens State Bank	President, CEO, Director	President, CEO, Director - Citizens State Bank	Trustee - Aaron K. Flencher Irrevocable Trust Director - Brazos Valley Affordable Housing Director - Burleson County Wildlife Association	2.28%	none	Aaron K. Flencher Irrevocable Trust 100.00%

(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Subsidiaries (include names of subsidiaries)	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Cory R. Flencher Brenham, TX, USA	Banker - Citizens State Bank	Executive Vice President, Director	Executive Vice President, Director-Citizens State Bank	Trustee - Cory R. Flencher Irrevocable Trust  Director -  Volunteer Services Council of Brenham State Supported Living Center  Director -	2.22%	none	Cory R. Flencher Irrevocable Trust 100.0%
Michael A. Rhodes Somerville, TX, USA	Metal Building Construction Contractor - Rhodes Bldg Systems Inc.	Director, Vice Chairman of the Board	Director, Vice Chairman of the Board - Citizens State Bank  Vice President, Treasurer, Director - CSB Delaware Inc.  Member - CSB Support LLC	IBAT Region 10 Leadership Division  Commissioner - Brenham Housing Authority  Commissioner - Washington County Housing Corporation  Commissioner - Northside Terrace Apartment, Inc	0.66%	none	Rhodes Bldg Systems Inc. 100.00%  Rhodes Family Investment GP 40.00%
Paul J. Batista College Station, TX, USA	Professor - Texas A&M University	Director	Director - Citizens State Bank  Member - CSB Support LLC	Owner - Salana Investments, LLC  Owner - Salana Holdings, LLC  Trustee - Read Charities	0.86%	none	Salana Investments, LLC 100.00% Salana Holdings, LLC 100.00%

(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
John R. Giesenschlag Caldwell, TX, USA	Farmer - John R. Giesenschlag Farms	Director	Director - Citizens State Bank Member - CSB Support LLC	Owner - Fifty-Sixty Management LLP Owner - John R Giesenschlag Farms Owner - ABC Equipment Company	1.56%	none	Fifty-Sixty Management LLP 100.00% John R Giesenschlag Farms 100.00% ABC Equipment Company 100.00%
Lois Kolkhorst Brenham, TX, USA	State Senator - Texas Senate District 18	Director	Director - Citizens State Bank Manager - CSB Support LLC	State Representative - Texas Senate District 18 Owner - Kolkhorst Foods LLC Officer - Kolkhorst Investments LLC	0.08%	none	Kolkhorst Foods LLC 45.00% Kolkhorst Investments LLC 50.00% Winkelmann/Trostle Family Ltd Partnership 25.00%
Mike Gentry College Station, TX, USA	Attorney - West, Webb Allbritton & Gentry PC	Director	Director - Citizens State Bank Member - CSB Support LLC	Partner, Attorney - West, Webb Allbritton & Gentry PC Limited Partner - 1978 Hilltop Partners Ltd. Limited Partner - Emerald Plaza Development Ltd Member - Rosewood Land, LLC	0.04%	none	West, Webb Allbritton & Gentry PC 33.3% 1978 Hilltop Partners Ltd. 50.0% Emerald Plaza Development Ltd 33.3% Rosewood Land, LLC 50.0%

(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Dennis R. Engelmann Caldwell, TX	Landman - Engelmann Land Services, LLC	Director	Director - Citizens State Bank	Member - Engelmann Land Services, LLC Member - PL&M, LLC Member - Aggie Riverview Ranch, LLC Member - Fredonia Land & Minerals, LLC	0.10%	none	Engelmann Land Services, LLC 100.0% PL&M, LLC 100.0% Aggie Riverview Ranch, LLC 50.0% Fredonia Land & Minerals, LLC 50.0%
William H. Giesenschlag, Jr. Somerville, TX, USA	Professor (Retired) - Blinn College	Principal Shareholder	none	Member - Giesenschlag Minerals, LLC	15.01%	none	none
Frances A. Maler, Estate of Somerville, TX, USA	n/a - Estate included as principal shareholder only	Principal Shareholder	none	Partner - EBF-HRF Family Ltd. Partnership	8.49%	none	none
Benjamin R. Flencher Somerville, TX, USA	Real Estate Broker - Gooch-Flencher Real Estate	Family Member of Principal Shareholder	none	Partner - Gooch-Flencher Real Estate	2.01%	none	Gooch-Flencher Real Estate 50.0%
							Benjamin R. Flencher Irrevocable Trust 100.0%

(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Subsidiaries (include names of subsidiaries)	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Joshua W. Flencher Somerville, TX, USA	Construction - Flencher Dozer Service	Family Member of Principal Shareholder	none	Owner - Flencher Dozer Service Trustee - Joshua W. Flencher Irrevocable Trust	2.01%	none	Flencher Dozer Service 100.0% Joshua W. Flencher Irrevocable Trust 100.0%
Brandt N. Maler Somerville, TX, USA	Speech Therapist - Self-Employed	Family Member of Principal Shareholder	none	none	0.33%	none	none
Nathan D. Giesenschlag Somerville, TX, USA	College Instructor - Blinn College	Family Member of Principal Shareholder	none	Member - Giesenschlag Minerals, LLC	0.21%	none	none
Natalie G. Snyder Somerville, TX, USA	Homemaker	Family Member of Principal Shareholder	none	Member - Giesenschlag Minerals, LLC	0.21%	none	none
Wade B. Giesenschlag Somerville, TX, USA	Banker - Citizens State Bank	Vice President, Family of Principal Shareholder	Vice President, Human Resources Citizens State Bank	Member - Giesenschlag Minerals, LLC	0.21%	none	none
Gerald J. Giesenschlag Somerville, TX, USA	Financial Advisor - Edward Jones	Family Member of Principal Shareholder	none	Member - GG Holdings, LLC Member - Giesenschlag Minerals, LLC	0.21%	none	G6 Holdings, LLC 100.0%

Form FR Y-6  
C.S.B. Delaware, Inc.  
(Subsidiary Bank Holding Company)  
December 31, 2020

**Report Item 4: Insiders**

(1), (2), (3)(a)(b)(c) and (4)(a)(b)(c)

(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (Include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (Include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Ervin B. Flencher, Jr. Somerville, TX, USA	Banker - Citizens State Bank	President, Director, Chairman	Director, Chairman of the Board - Citizens State Bank	Partner - Gaines, Flencher Land Dev Partnership	none none	none none	Gaines-Flencher Land Dev Partnership 50.00%
			President, CEO, Manager - CSB Support LLC	Partner - Novosad, Flencher Land Dev. Partnership Member - Aggie Riverview Ranch LLC Trustee - John R. Giesenschlag Trust			Novosad-Flencher Land Dev Partnership 50.00%
				Trustee - Ervin B Flencher Irrevocable Trust President - Flencher Family Corp (GP of EBF-HRF Family Ltd. Partnership) Director, Chairman of the Board - Bluebonnet Electric Co-Op, Inc			Aggie Riverview Ranch LLC 50.00% John R. Giesenschlag Trust 33.333% Ervin B Flencher Irrevocable Trust 100.00%

(1) Name, City, State, Country	(2) Principal Occupation if other than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Harry R. Neinast, Jr.  Somerville, TX, USA	Banker (Retired) -  Citizens State Bank	Vice President, Director, Secretary	Director -  Citizens State Bank Manager - CSB Support LLC	Trustee -  Harry R. Neinast, Jr. Revocable Trust	none  none	none  none	Harry R. Neinast, Jr. Revocable Trust  100%
Michael A. Rhodes  Somerville, TX, USA	Metal Building Construction Contractor -  Rhodes Bldg Systems Inc.	Vice President, Director, Treasurer	Director -  Citizens State Bank	CEO -  Rhodes Bldg Systems Inc.	none  none	none  100.00%	Rhodes Bldg Systems Inc.  Rhodes Family Investment GP 40.00%

# Exhibit CSBBI – 1A



**ANNUAL SHAREHOLDERS MEETING**  
**C.S.B. BANCSHARES, INC. – SOMERVILLE, TEXAS**  
**Thursday, April 8, 2021**  
**12:30 pm**  
**A G E N D A**

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. PRAYER**
- 4. MINUTES FROM 2020 ANNUAL MEETING**
- 5. UNFINISHED BUSINESS**
- 6. NEW BUSINESS:**

a. **Original Mailing Notice to Shareholders for Annual Meetings:**  
**DATED AND MAILED:     March 22, 2021**

b. **Affidavit of Cashier With Respect to Availability to the List of Shareholders:**  
**The secretary was presented a complete LIST OF HOLDERS OF STOCK entitled to vote at this meeting as certified by the CASHIER of the holding company as of the close of business:     March 1, 2021.**

c. **Declare that a QUORUM is present, and the MEETING is duly constituted.**

**VERIFICATION OF ALL PROXIES:**

d. **Appoint: JUDGES OF THE ELECTION:**  
**AARON K. FLENCHER AND MICHAEL BENTKE**

e. **Appoint: SHAREHOLDER TO VOTE PROXIES. (Name ONE or BOTH)**  
**MICHAEL A. RHODES ... JOHN R. GIESENSCHLAG....**

f. **REPORT ON OPERATIONS FOR THE YEAR 2020.**

a. **Aaron Flencher**

g. **Report of Audit by Seidel, Schroeder and Company:**

a. **Duane Muehlbrad**

**h. Election of Directors and Fixing Number:**

**Fixing the number of Directors to be elected at ELEVEN (11) and the election of the eleven listed in the PROXY STATEMENT dated March 22, 2021, namely:**

<b>CORY FLENCER</b>	<b>MICHAEL A. RHODES</b>
<b>ERVIN B. FLENCER, JR.</b>	<b>PAUL J. BATISTA</b>
<b>HARRY R. NEINAST, JR.</b>	<b>MICHAEL H. GENTRY</b>
<b>TIMOTHY N. TIETJEN</b>	<b>LOIS W. KOLKHORST</b>
<b>DENNIS R. ENGELMANN</b>	<b>AARON FLENCER</b>
<b>JOHN R. GIESENSCHLAG</b>	

**to serve until the next ANNUAL MEETING and until their successors are elected and qualified.**

**7. OTHER BUSINESS TO COME BEFORE THE BOARD:**

- a. Credit Life Insurance: Ervin B. Flencher, Jr., Agent**
- **Operation of Insurance Agency in Conjunction With A State Non Member Bank:**
    - **Recommendation of the regulatory authorities concerning the handling of credit life insurance and accident and health insurance is strictly for the protection of the bank, is in no way mandatory. Ben Flencher is a licensed agent, who will retain commissions therefrom, and is to pay CITIZENS STATE BANK, SOMERVILLE, TEXAS, THE SUM OF \$2,000.00 per year for the use of the bank equipment and personnel for handling CL & AH. Flencher will bear the sole responsibility for all claims and liabilities arising from the sale and handling of CL & AH insurance.**
- b. ALL ENTITIES ARE UNDER THE SAME UMBRELLA POLICY:**
- **Citizens State Bank**
  - **C.S.B. BANCSHARES, INC.**
  - **DELAWARE BANCSHARES, INC.**

**Financial Security Institution Bond**

- **Approve the renewal of:**
  - \$6,000,000.00 - BLANKET BOND INSURANCE WITH TBA for one year.**
  - \$6,000,000.00 - Directors and Officers (D & O) LIABILITY INSURANCE WITH TBA for one year.**

**8. OFFER FLOOR FOR ANY IDEAS, THOUGHTS, COMMENTS, ETC.**

**9. CLOSING REMARKS**

**10: ADJOURN**

C.S.B. BANCSHARES, INC.....SOMERVILLE, TEXAS  
ANNUAL SHAREHOLDERS MEETING

Wednesday, April 29, 2020  
1:30 p.m.

MINUTES

The 28th Annual Meeting of the Shareholders of C.S.B. Bancshares, Inc. was held Wednesday, April 29, 2020, via teleconference due to COVID-19. Chairman Ervin B. (Ben) Flencher Jr. called the meeting to order.

PLEDGE OF ALLIEGANCE TO THE U.S. FLAG:

Tim Tietjen led the pledge of allegiance.

OPENING PRAYER:

Lois Kolkhorst gave the opening prayer.

WELCOME:

Chairman Flencher extended welcome to the shareholders and visitors who were in attendance. Visitors were Michele Kwiatkowski of Seidel Schroeder and Stacey Teague.

UNFINISHED BUSINESS:

None.

MINUTES:

A motion was made and seconded for the approval of the minutes from the March 28, 2019 meeting. All were in favor. The motion carried.

NEW BUSINESS:

- 1) The Chairman announced the Original Mailing Notices to the Shareholders for the Annual Meeting were dated and mailed April 15, 2020.
- 2) The Chairman announced the Affidavit of Cashier With Respect to Availability to the List of Shareholders entitled to vote at this meeting were certified by the cashier of the holding company as of the close of business March 1, 2020, and the secretary was presented a complete list of holders of stock to vote at this meeting.
- 3) The Chairman then asked if anyone had failed to register when entering the room, and if so, that he/she please do so by indicating his/her intent to vote this date in person or by proxy.
  - a. John Giesenschlag was appointed to vote the proxies.

- 4) Aaron K Flencher and Michael W Bentke were appointed judges of the election.
- 5) The secretary declared there was a quorum (46,840 shares) in person and by proxy, and the meeting was duly constituted. 88.18% of the outstanding stock was represented. Only shareholders of record at the close of business on March 1, 2020, were entitled to vote.
- 6) Breakdown of Votes:

	Shareholders		Shares	
In Person	19	11.80 %	15,678	29.52 %
By Proxy	84	52.17 %	31,162	58.67 %
TOTALS	103	63.98 %	46,840	88.18 %

7) Reports on Operations for the year 2019.

-Aaron Flencher., President & CEO:

-PowerPoint slides along with the Seidel Schroeder Audit were used for the presentation of the year 2019.

8) REPORT OF AUDIT BY SEIDEL SCHROEDER:

Chairman Flencher reviewed the audit during his presentation. Michele Kwiatkowski of Seidel Schroeder and Stacey Teague were available to report and answer questions from shareholders. Michele stated the bank received a clean opinion.

9) ELECTION OF DIRECTORS AND FIXING NUMBER:

A motion was made and seconded to fix the number of directors elected at eleven (11), and that the following eleven listed in the proxy statement, namely:

CORY FLENCER	MICHAEL A. RHODES
ERVIN B. FLENCER, JR.	PAUL J. BATISTA
HARRY R. NEINAST, JR.	MICHAEL H. GENTRY
TIMOTHY N. TIETJEN	LOIS W. KOLKHORST
JOHN R. GIESENSCHLAG	AARON FLENCER
DENNIS R ENGELMANN	

be elected to serve until the next ANNUAL MEETING and until their successors are elected and qualified. All were in favor. The motion carried.

10) OTHER BUSINESS TO COME BEFORE THE MEETING:

A) Credit Life Insurance Ervin B. Flencher, Jr., Agent

i) Operation of Insurance Agency in Conjunction With A State Non-Member Bank

Recommendation of the regulatory authorities concerning the handling of credit life insurance and accident and health insurance is strictly for the protection of the bank, and is in no way mandatory. Ben Flencher is a licensed agent who will retain commissions therefrom, and is to pay CITIZENS STATE BANK, SOMERVILLE, TEXAS, the sum of \$2,000.00 per year for the use of the bank equipment and personnel for handling CL & AH. Flencher will bear the sole responsibility for all claims and liabilities arising from the sale and handling of CL & AH insurance.

A motion was made and seconded to comply with the recommendation of the regulatory authorities concerning the handling of credit life insurance and accident and health insurance which is strictly for the protection of the bank, and is in no way mandatory. Ben Flencher is a licensed agent who will retain commissions therefrom, and is to pay CITIZENS STATE BANK, SOMERVILLE, TEXAS, the sum of \$2,000.00 per year for the use of the bank equipment and personnel for handling CL & AH. Flencher will bear the sole responsibility for all claims and liabilities arising from the sale and handling of CL & AH insurance. All were in favor, except for President Flencher abstaining. The motion carried.

B) The following entities are under the same umbrella insurance policy (following):

- C.S.B. BANCSHARES, INC.
- C.S.B. DELAWARE BANCSHARES, INC.
- CITIZENS STATE BANK

Financial Security Institution Bond

Approve the renewal of:

\$ 4,000,000 – Blanket Bond Insurance with the IBAT BOND TRUST for one year.

\$ 4,000,000 – Directors and Officers (D&O) Liability Insurance with the IBAT BOND TRUST for one year.

A motion was made and seconded to approve the renewal of the \$4,000,000 Blanket Bond Insurance as well as the \$4,000,000 Directors and Officers (D & O) Liability Insurance, both with the

IBAT BOND TRUST for one year. All were in favor. The motion carried.

- 11) Chairman Flencher offered closing remarks and opened the floor to anyone for comments.
- 12) Chairman declared the meeting adjourned.

SUBMITTED BY:

  
\_\_\_\_\_  
MICHAEL BENTKE  
Secretary



# CSB Bancshares, Inc.

## Somerville, Texas



## 2021 Stockholders Meeting

April 8, 2021

12:30 PM





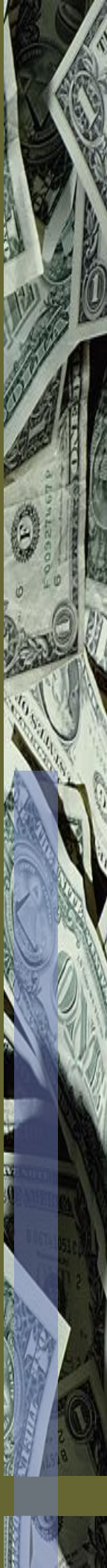
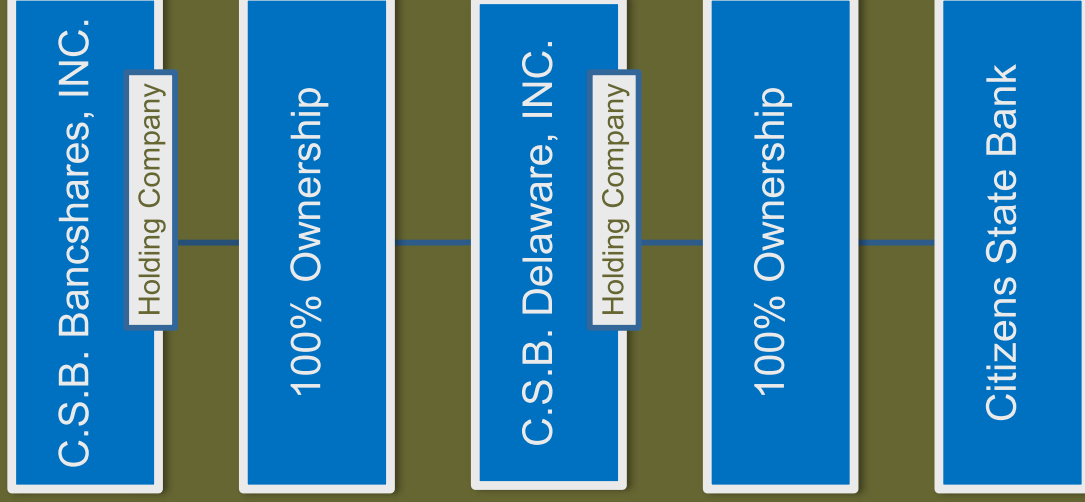
# Mission Statement

*“Delivering down-home, quality, personalized  
financial services.”*





# Organizational Chart





# www.csbtx.bank



To report lost or stolen debit cards after banking hours,  
Call Toll Free 888-297-3416

HOME PRODUCTS & SERVICES

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LOAN FORMS

EMPLOYMENT

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Password

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QUICK LINKS

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- CDs & IRA Rates
- Debit Cards
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- Online Security Resources



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CONSUMER LOANS

APPLY NOW

### Citizens State Bank Temporarily Closes Bank Lobbies (Ver la versión en Español a continuación)

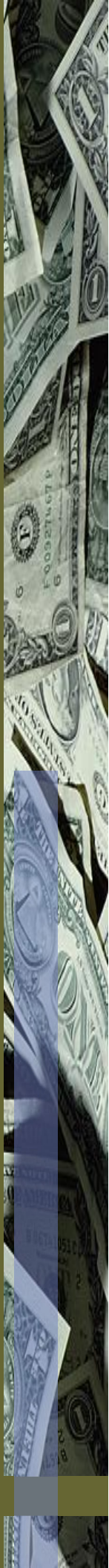
Lobby access by appointment only – drive thru, ATM and e-banking services available. To ensure the health and safety of our customers and employees, Citizens State Bank has decided to modify the lobby services available at all locations until further notice.

**Effective Wednesday, March 18, 2020 9am,** Citizens State Bank will temporarily be limiting access to the Somerville, Deanville, Caldwell, Brenham, Snook and Navasota bank lobbies. Bank lobbies will be available **only** by appointment for transactions that consist of New Accounts, New Loans and Safe deposit box access. Loan Applications can be downloaded or completed online as always for your convenience on our website at csbtx.bank. Citizens State Bank employees will be available via phone and email to continue assisting customers. To arrange a lobby appointment please call your local Citizens State Bank receptionist.

- Somerville - (979) 596-1421
- Deanville - (979) 435-4535
- Caldwell - (979) 567-4646
- Brenham - (979) 251-8844
- Snook - (979) 272-8500
- Navasota - (936) 825-3662

Citizens State Bank encourages customers to utilize all non-lobby-based banking services when possible for the coming weeks, including:

- Drive-thru and ATMs are available. Please visit csbtx.bank for all drive-thru hours and ATM locations.
- Online banking and mobile banking apps allow you to check balances, pay bills, deposit checks, and transfer funds at any time (Data and third-party charges may apply).

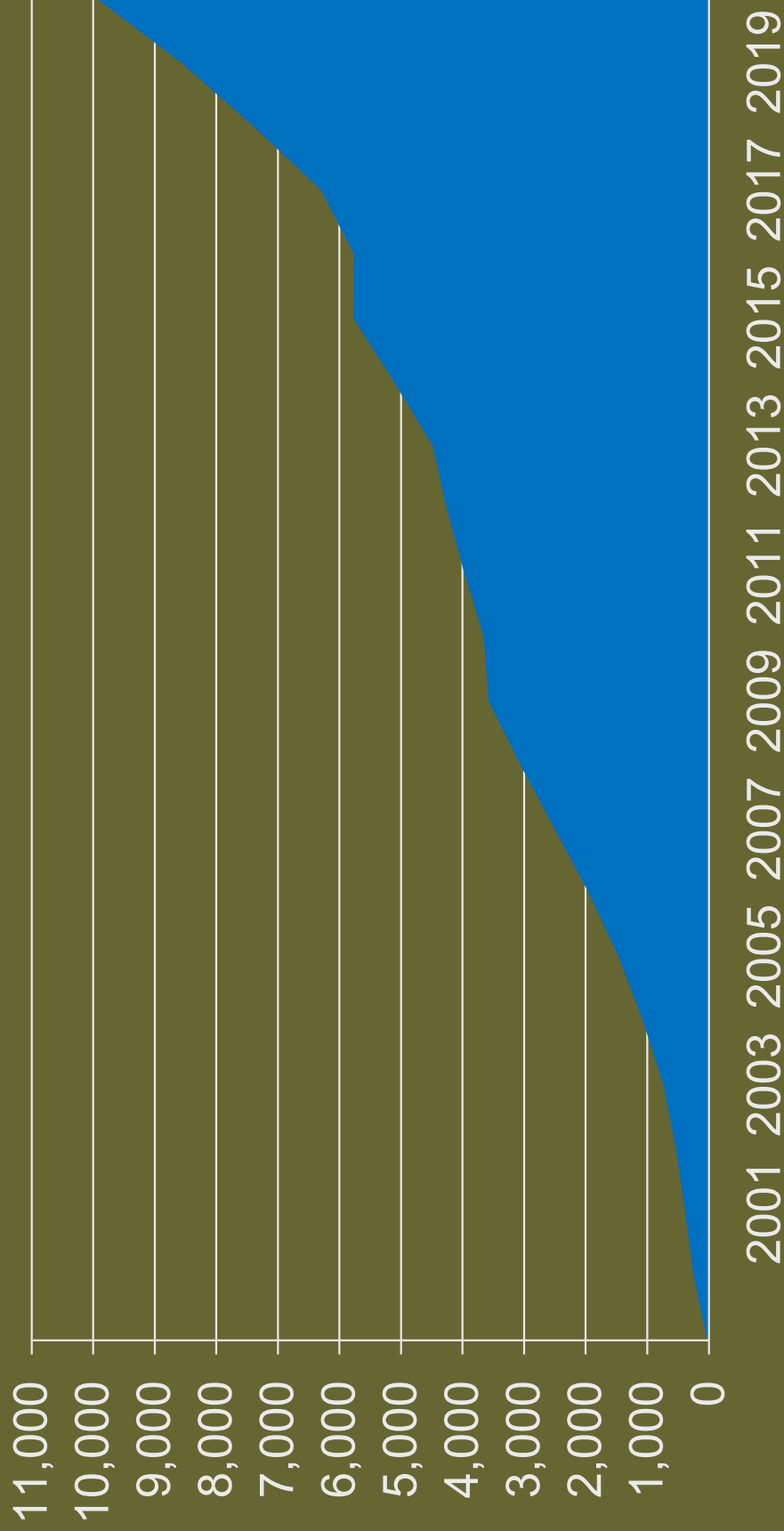




# Internet Banking Users

Users

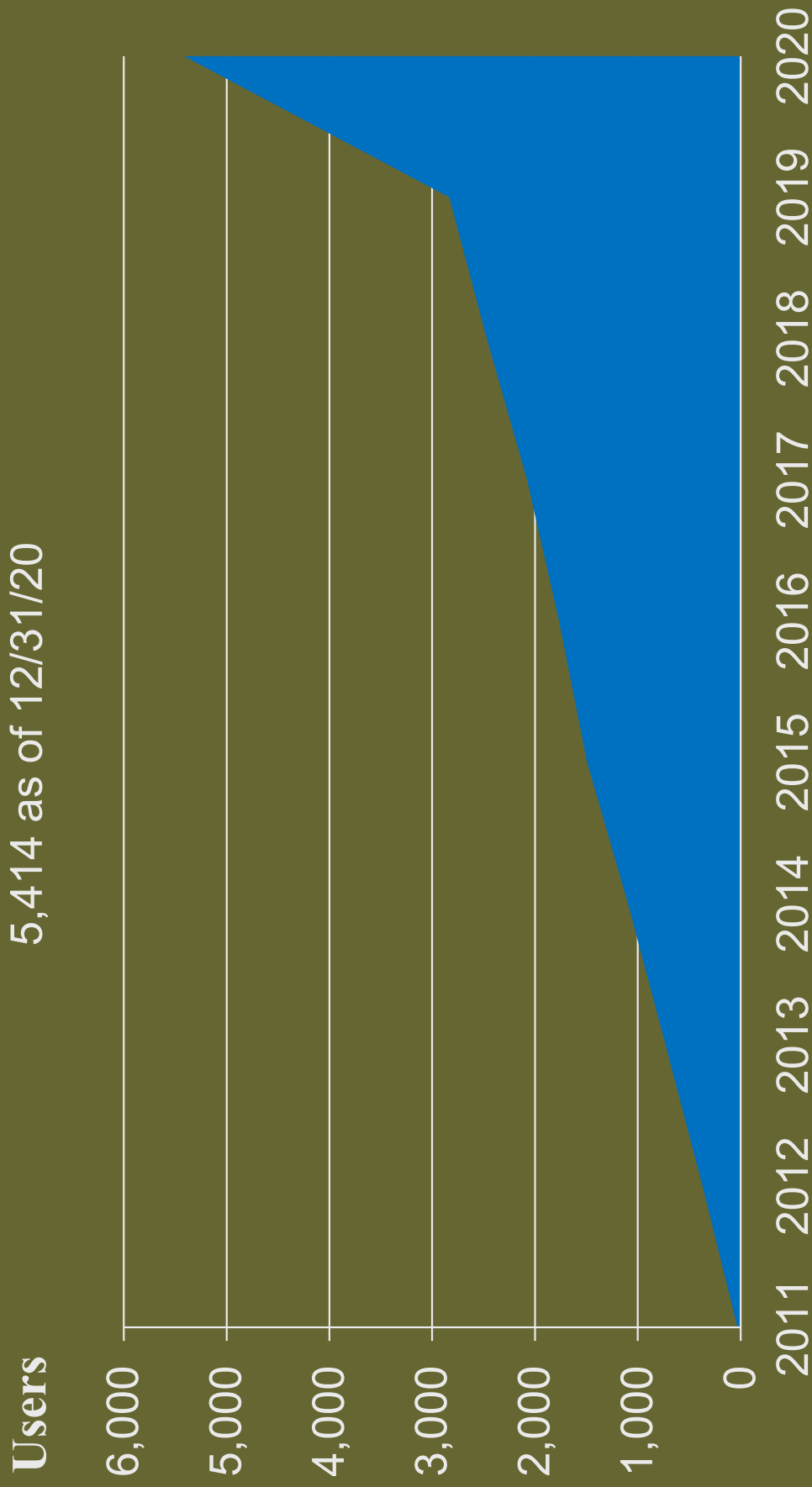
9,951 as of 12/31/20





# Mobile Banking Users

5,414 as of 12/31/20

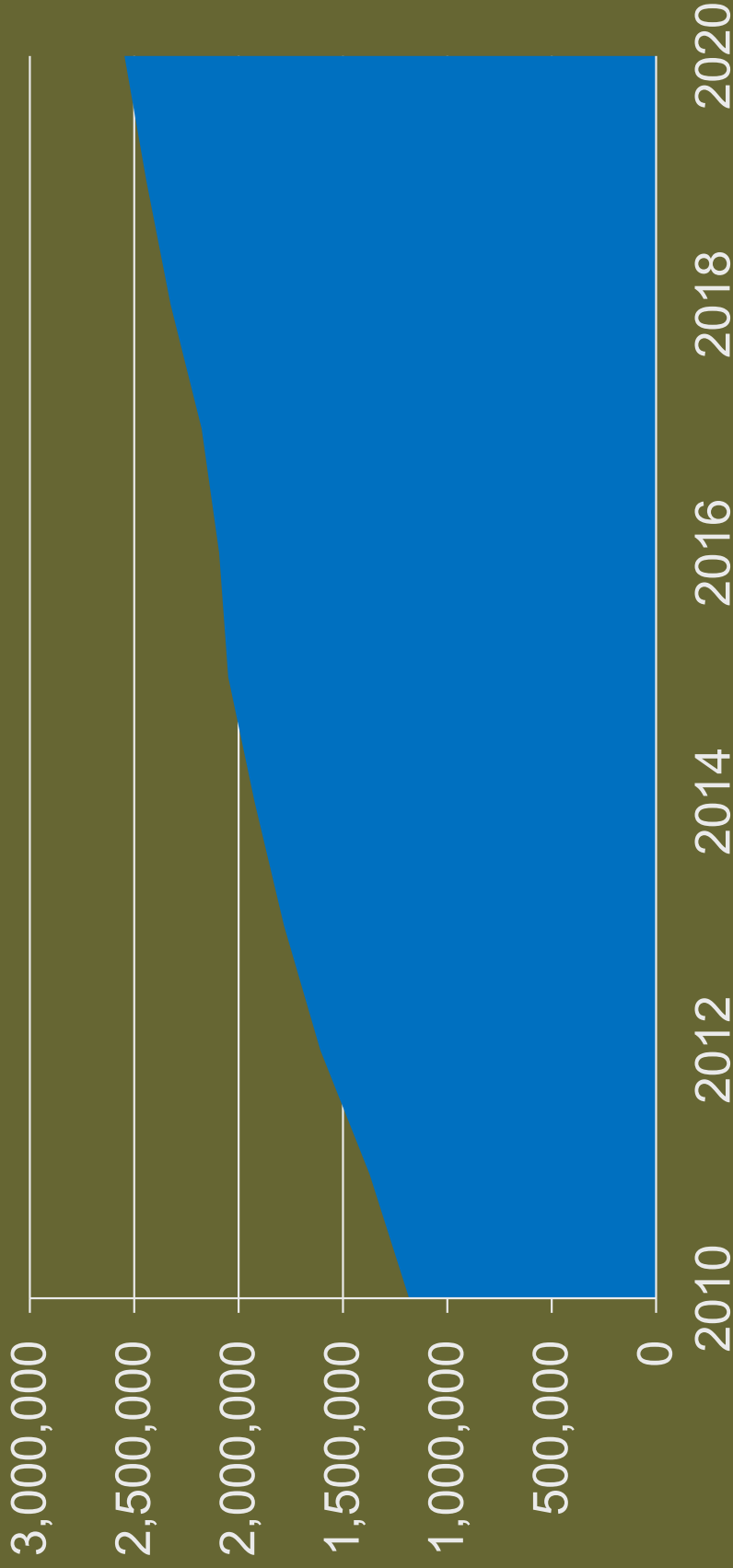


# # Annual Debit Card Transactions



# of Transactions

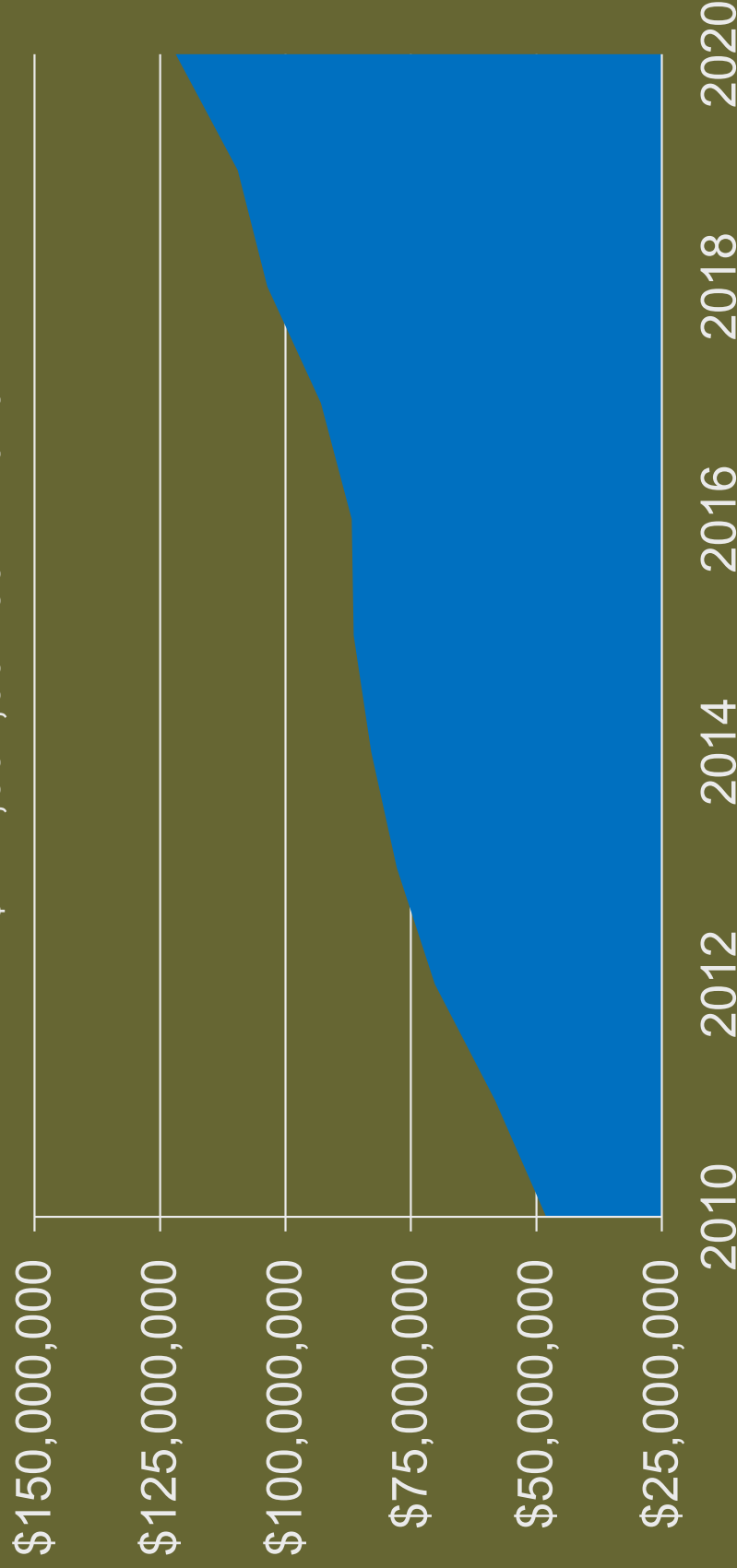
2,546,330 in 2020





# \$ Annual Debit Card Transactions

\$121,884,551.85 in 2020

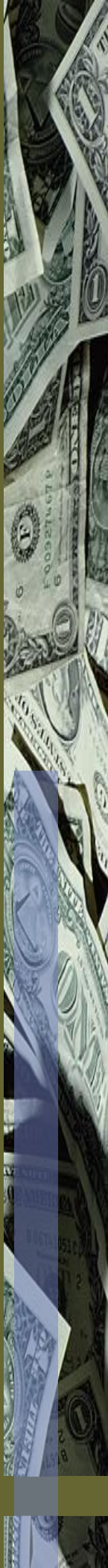
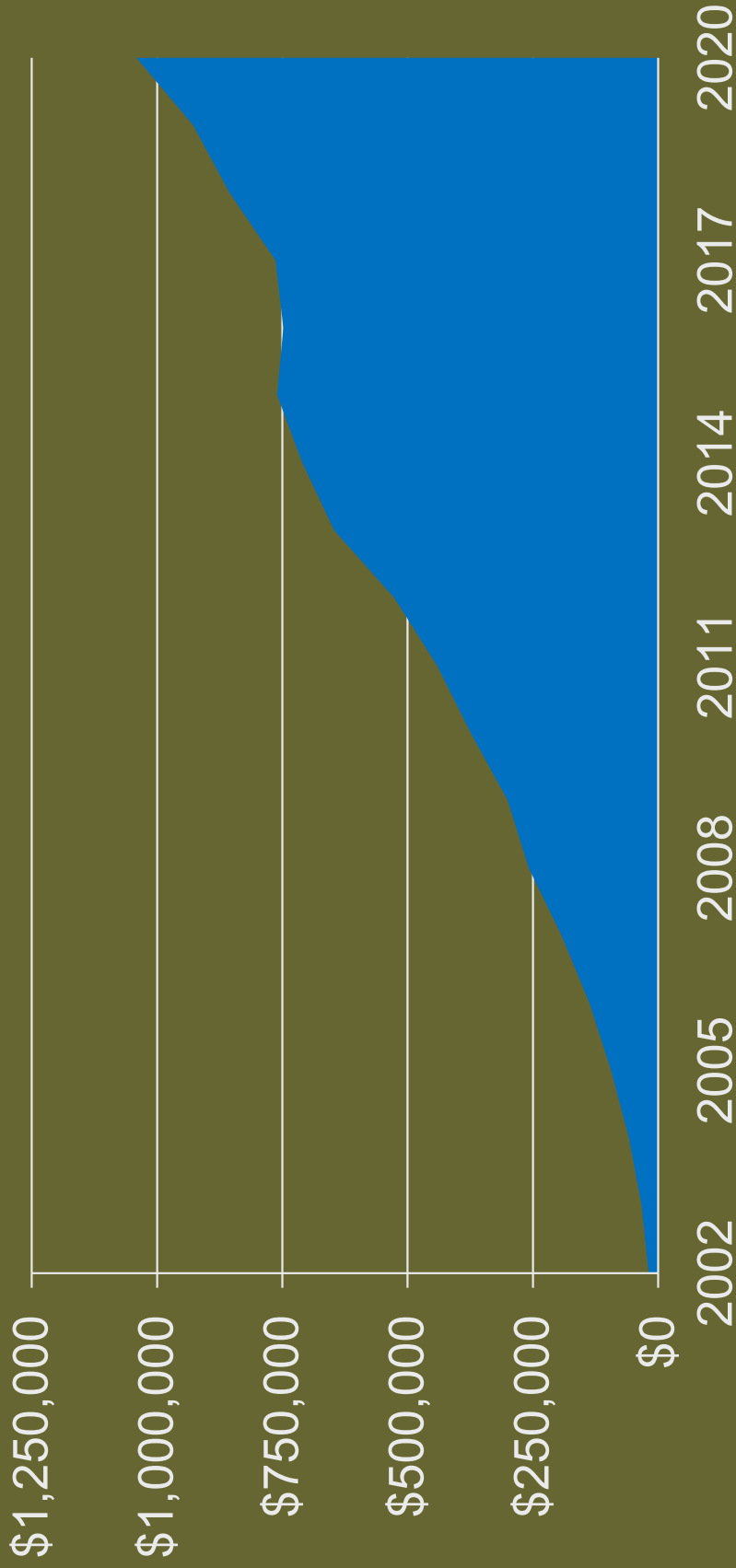




# Annual Interchange Fees

\$1,041,170.81 in 2020

**Income**







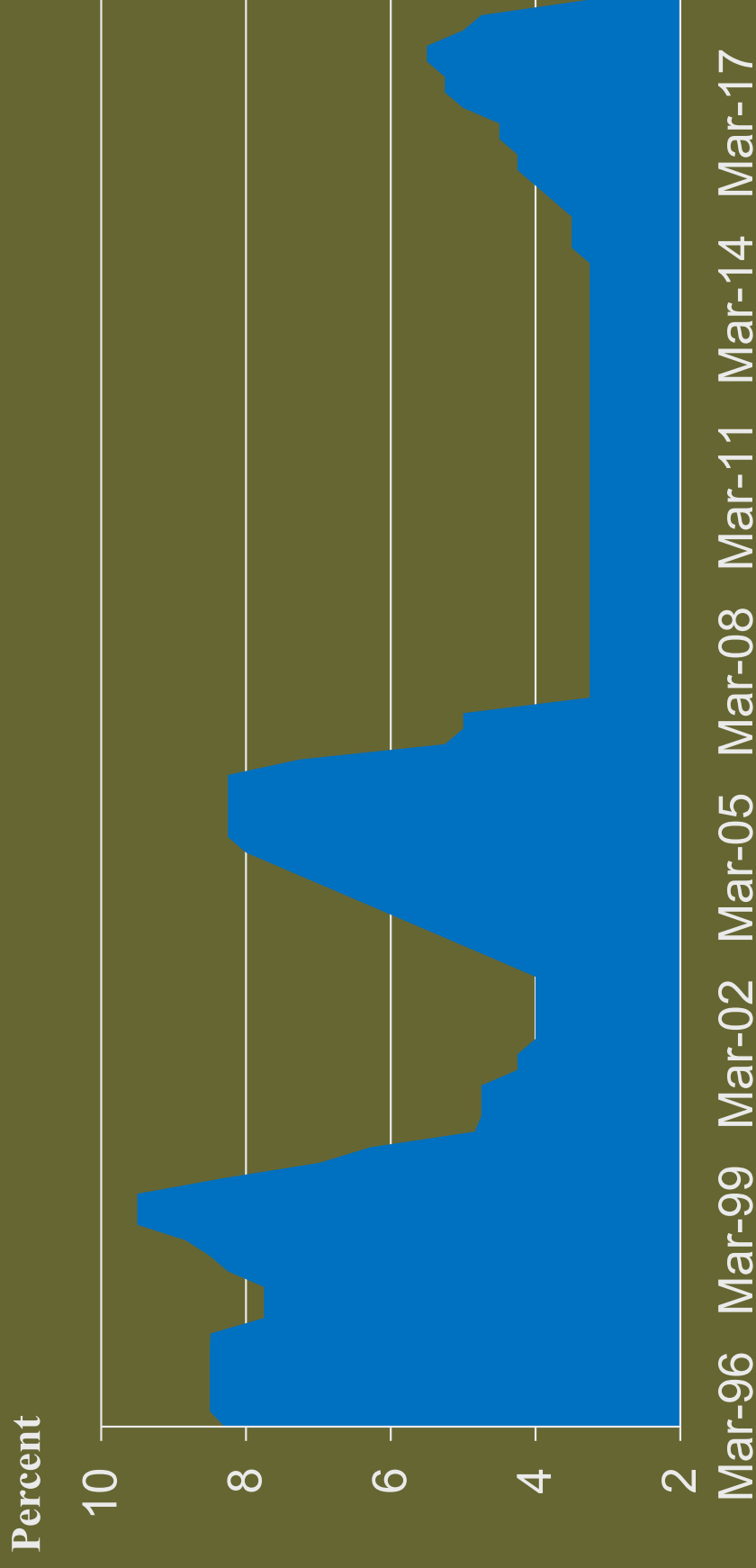
# 2020 BSA Highlights

- Received 338,279 incoming ACH credits for \$927,372,311
- Received 2,804 incoming wires for \$323,745,989
- Originated 1,903 wires for \$137,539,908
- Customers deposited \$126,076,647 through Remote Deposit Capture
- Customers deposited \$7,537,780 through Remote Deposit Anywhere





# Prime Rate History





# Current US Market Levels

As of April 8, 2021

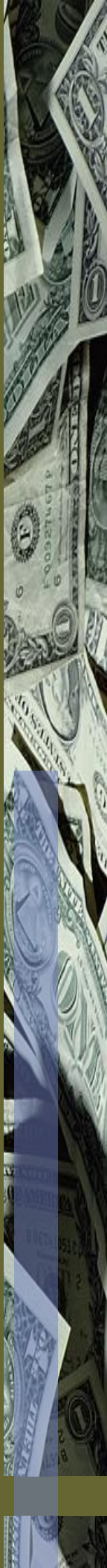
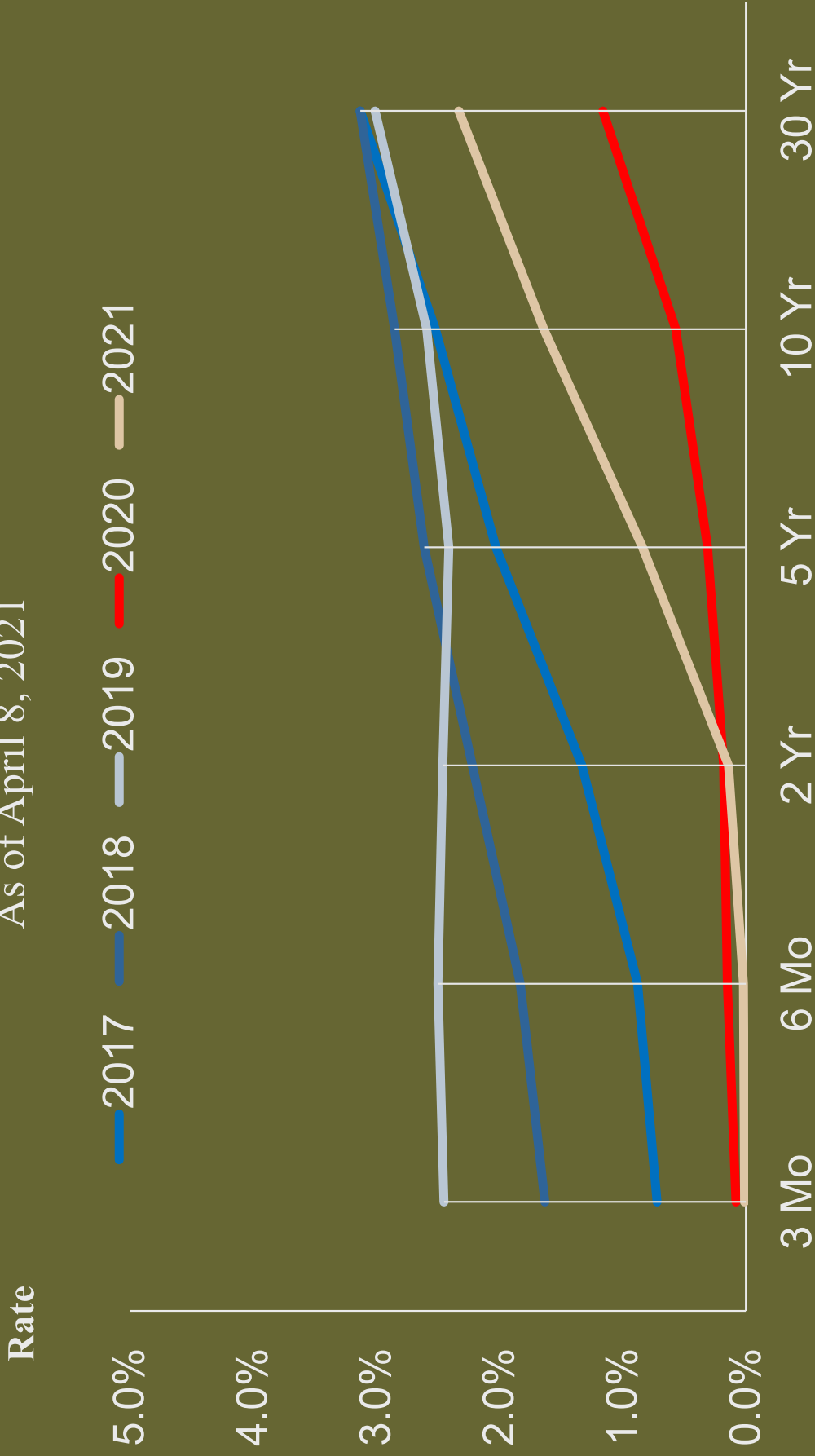
Type	Rate
3 Month T – Bill	0.01%
6 Month T – Bill	0.02%
2 Year T – Note	0.14%
5 Year T – Note	0.84%
10 Year T – Note	1.64%
30 Year T – Note	2.33%
Fed Funds Target	0.00% - .25%





# Interest Rates Yield Curve

As of April 8, 2021





# US Market Levels

As of April 8, 2021

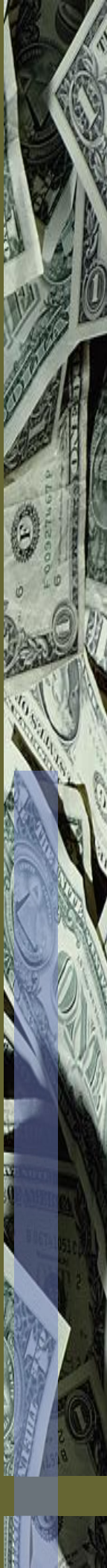
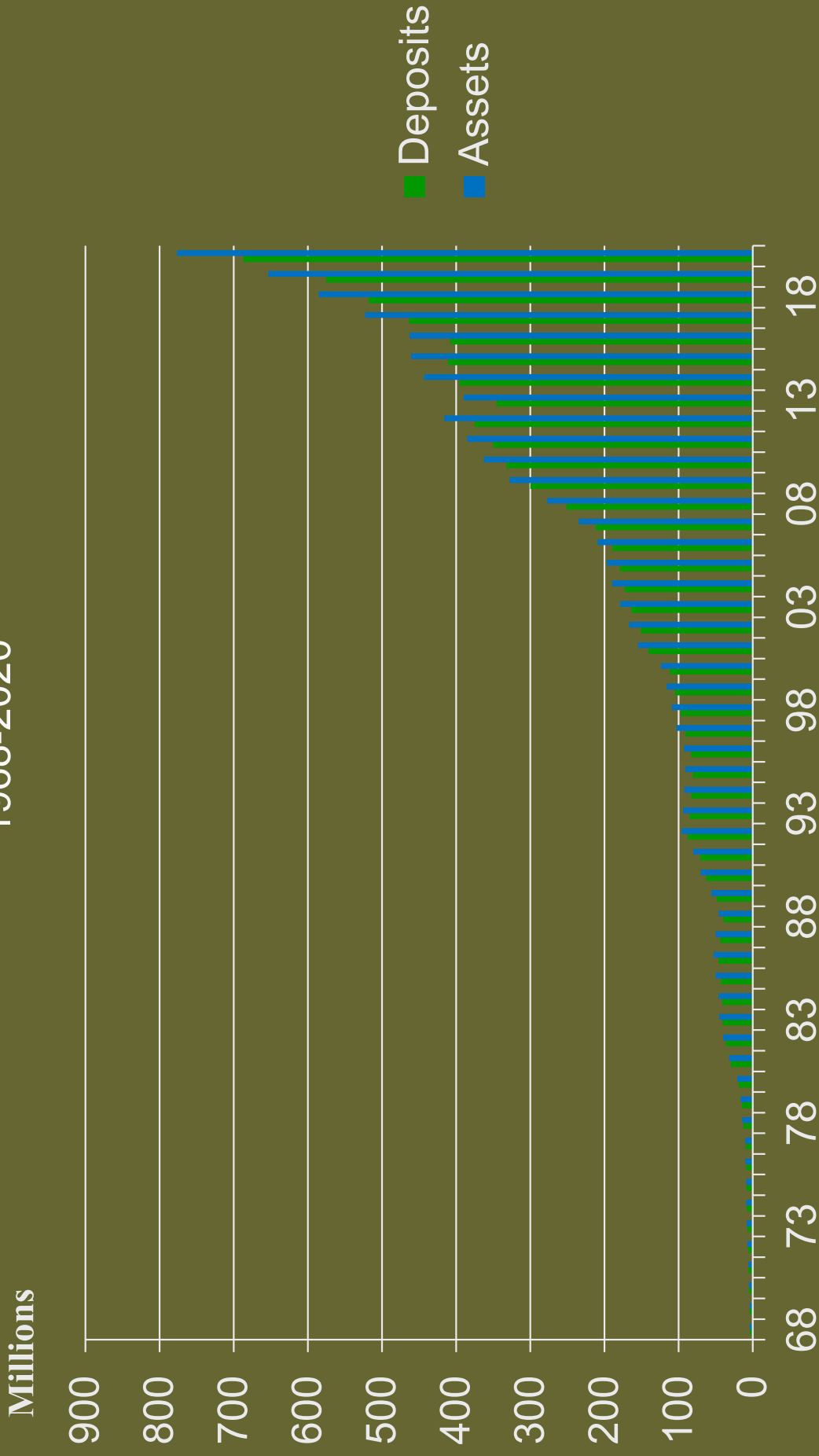
Market	Current	Last Year
Dow Jones	33,446	23,106
NASDAQ	13,698	8,304
S&P 500	4,080	2,823
Spot Gold	\$1,747	\$1,693
West Texas Crude	\$59.77	\$18.27
Gallon of Gas	\$2.38	\$1.59





# Total Assets & Deposits

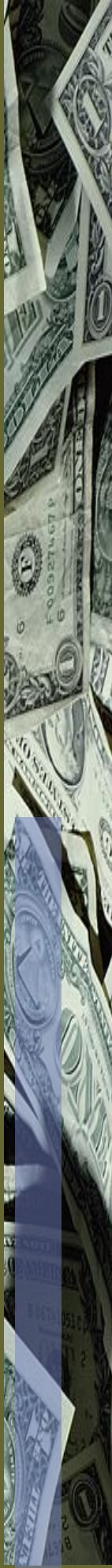
1968-2020





# Total Assets & Deposits

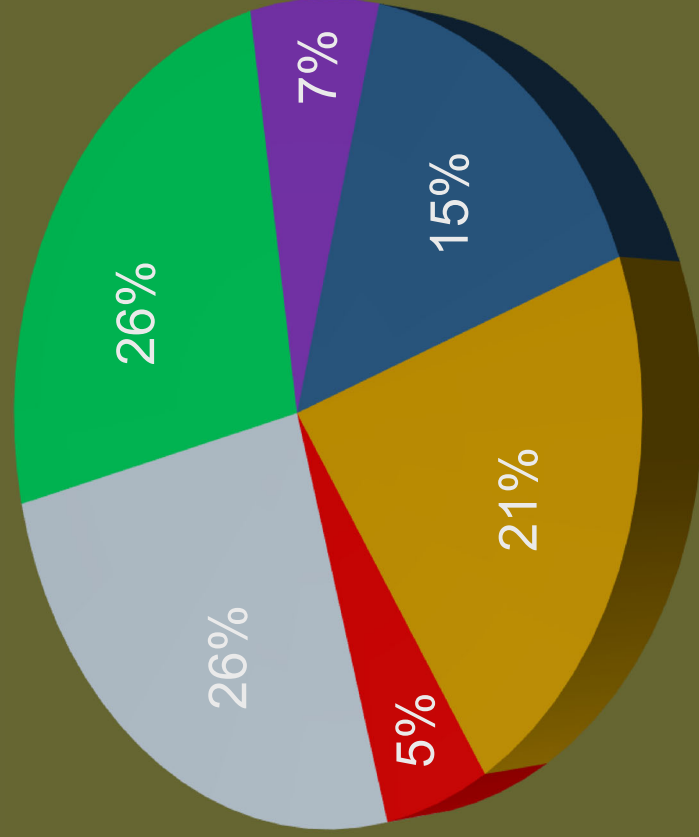
2004-2020





# Breakdown of Deposits

Total 2020 Deposits \$686,996,904



- Somerville
- Deanville
- Caldwell
- Brenham
- Snook
- Navasota







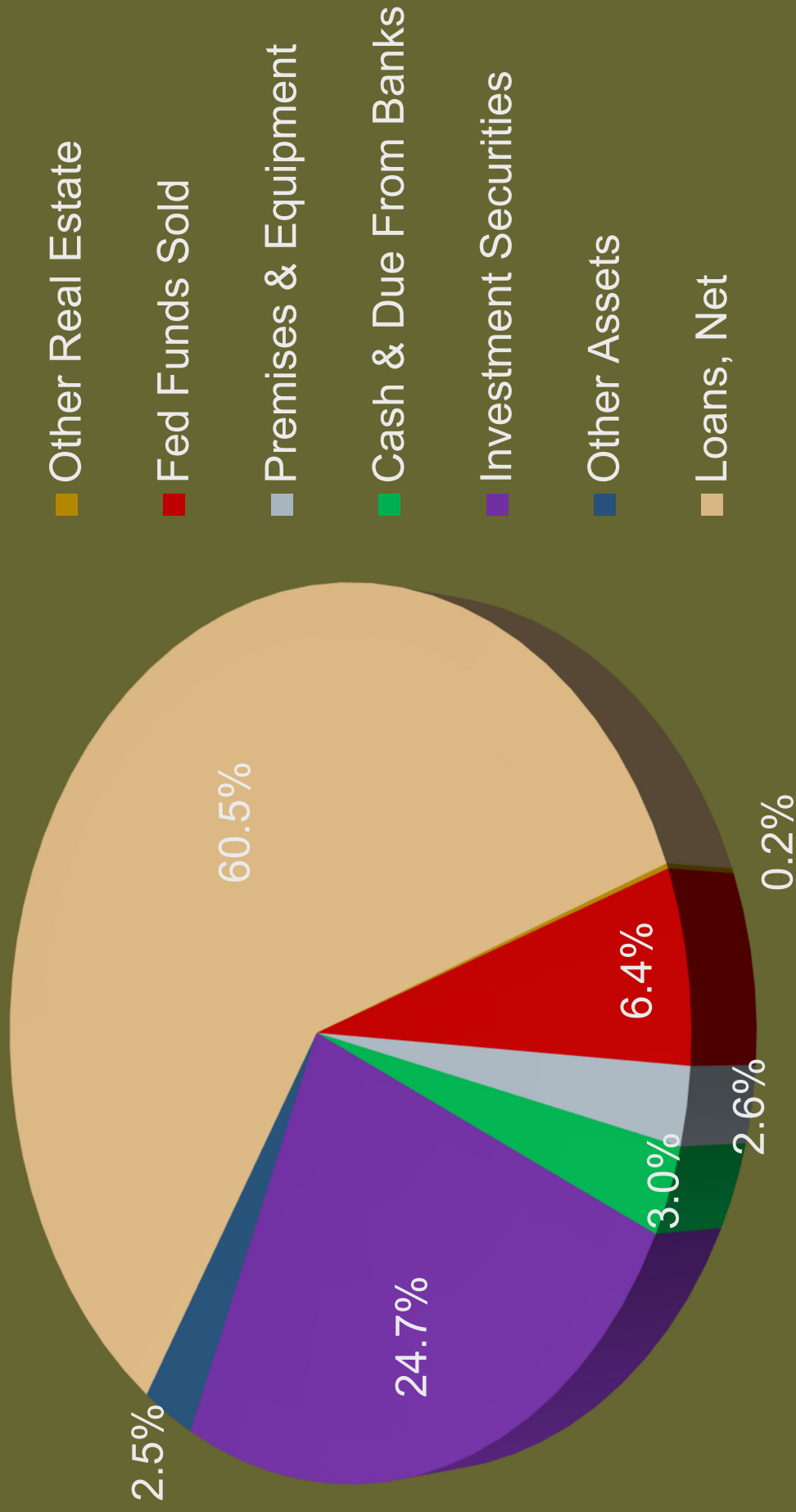
# 2020 New Accounts

Branch	DDA/Savings
Somerville	351
Deanville	94
Caldwell	428
Brenham	733
Snook	239
Navasota	410
Total Opened	2,255



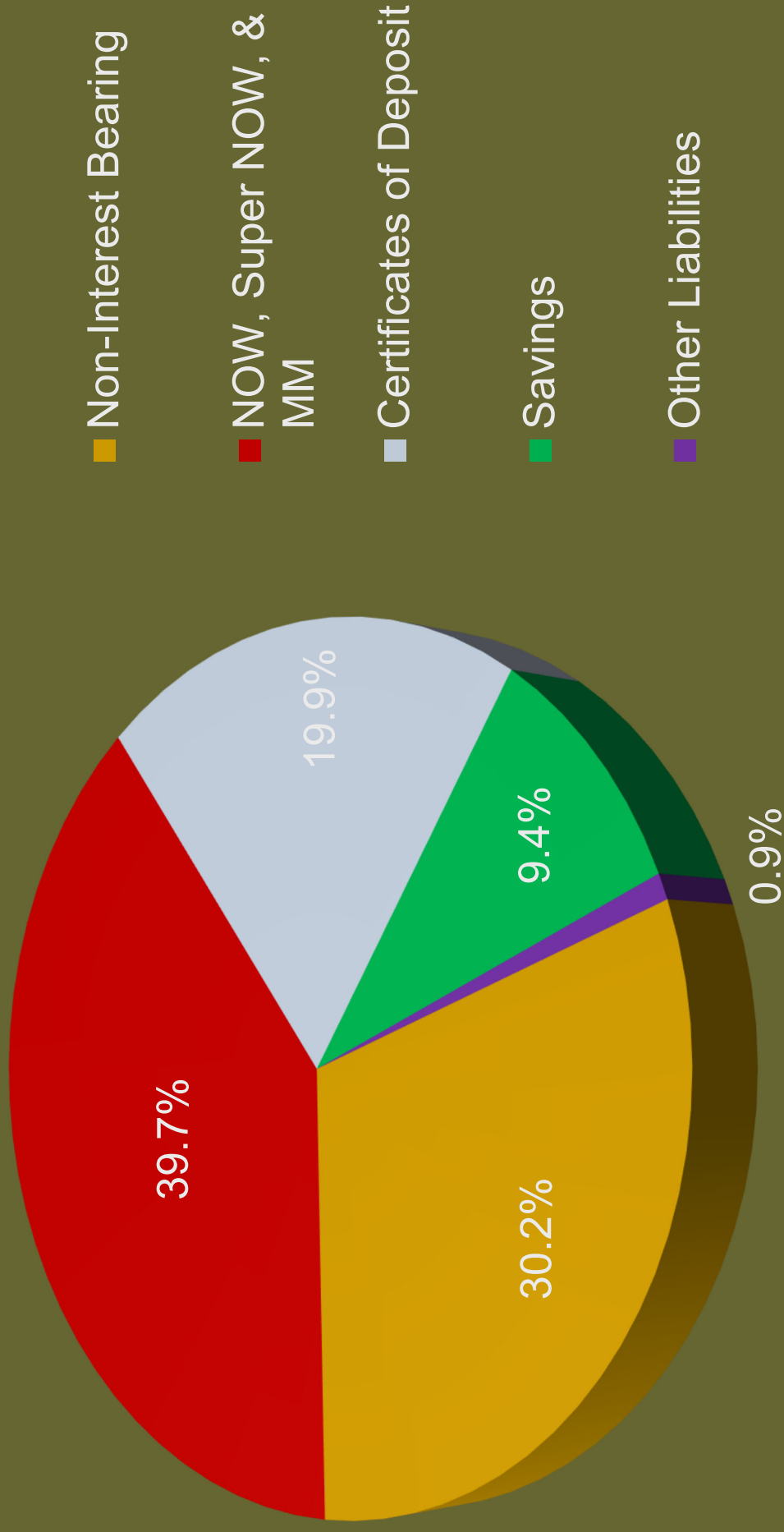


# Distribution of Assets





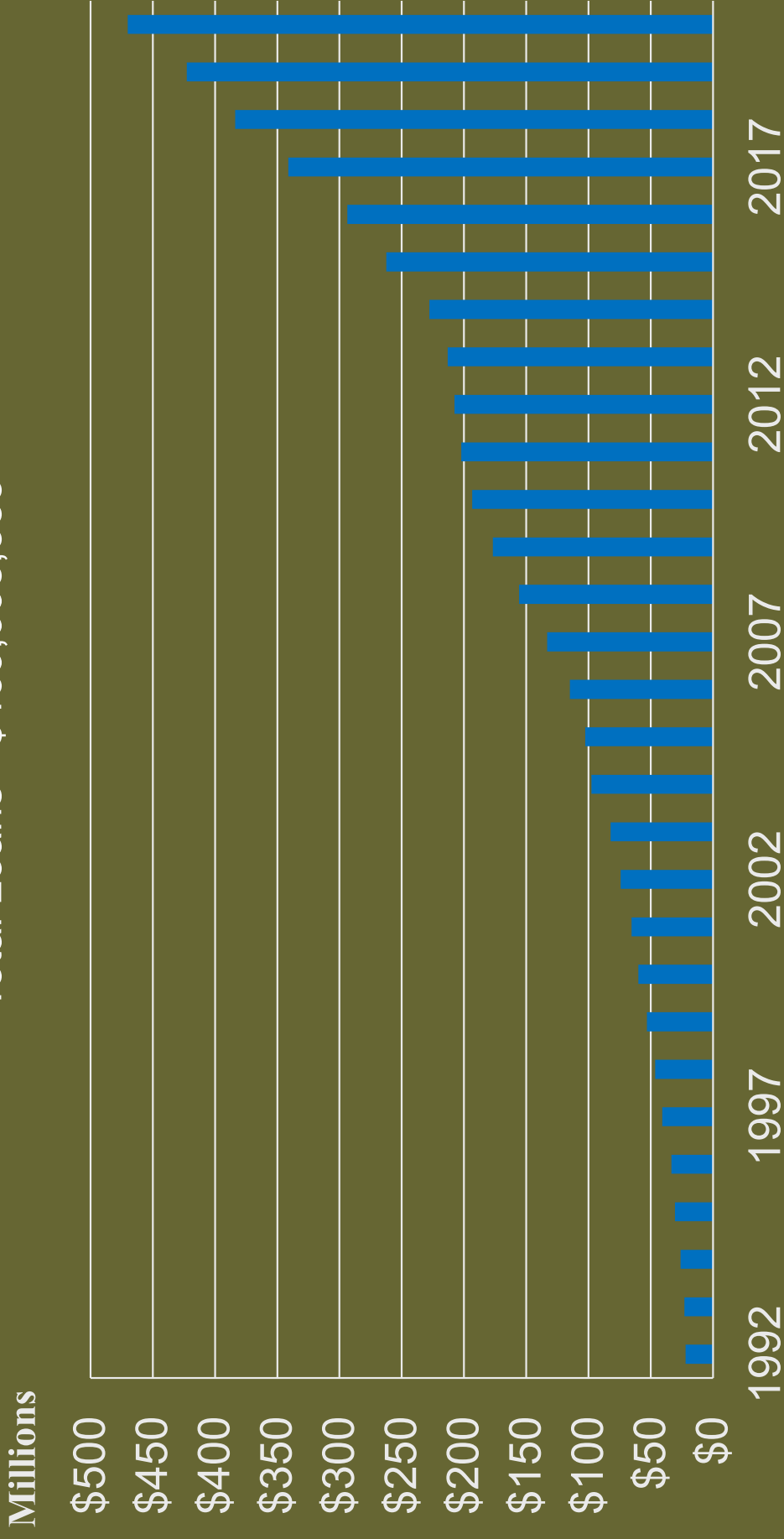
# Distribution of Liabilities





# Loan Growth 1991 - 2020

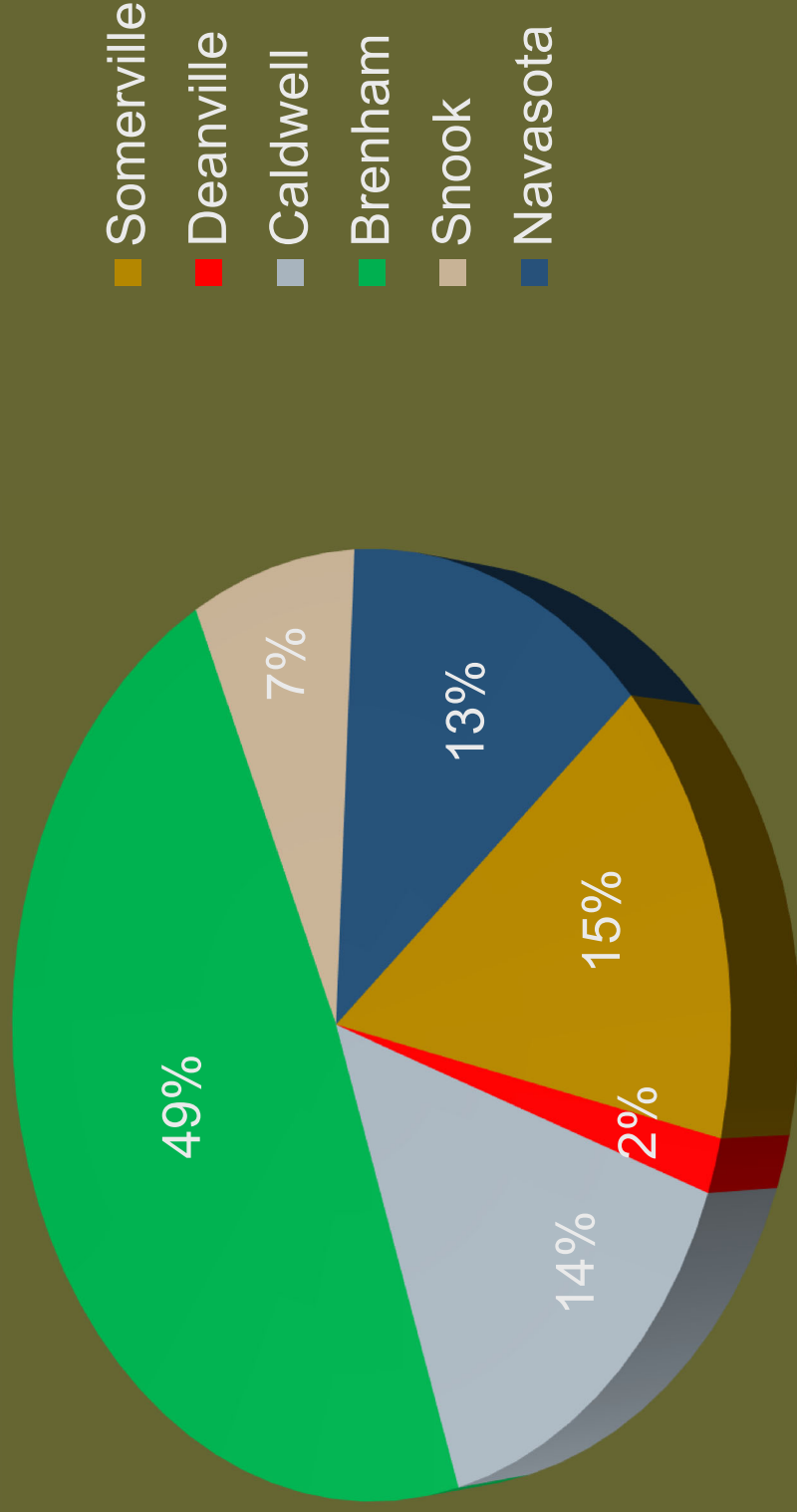
Total Loans \$469,998,385





# Loans By Branch

2020 Total Loans \$469,998,385



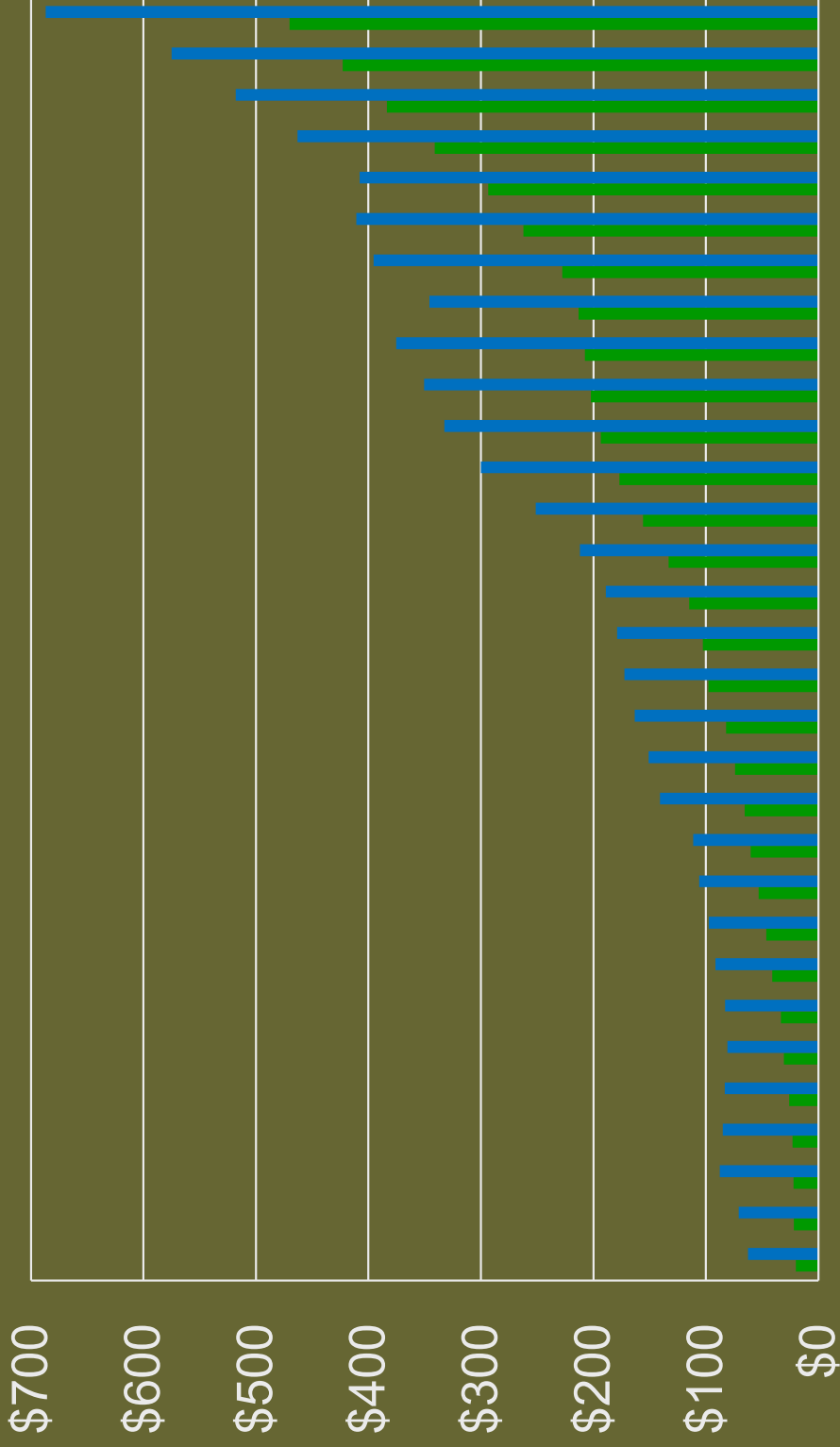


# Loans to Deposit

## 1990 - 2020

Millions

2020 Net Loans / Deposits 68.42%



Loans

Deposits

1990 1993 1996 1999 2002 2005 2008 2011 2014 2017 2020



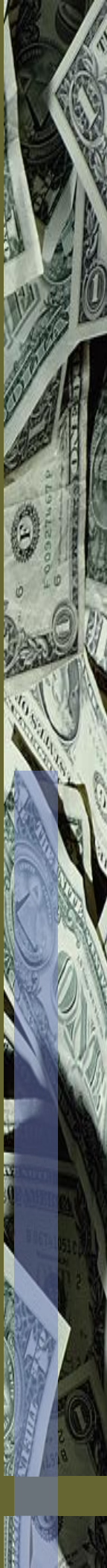
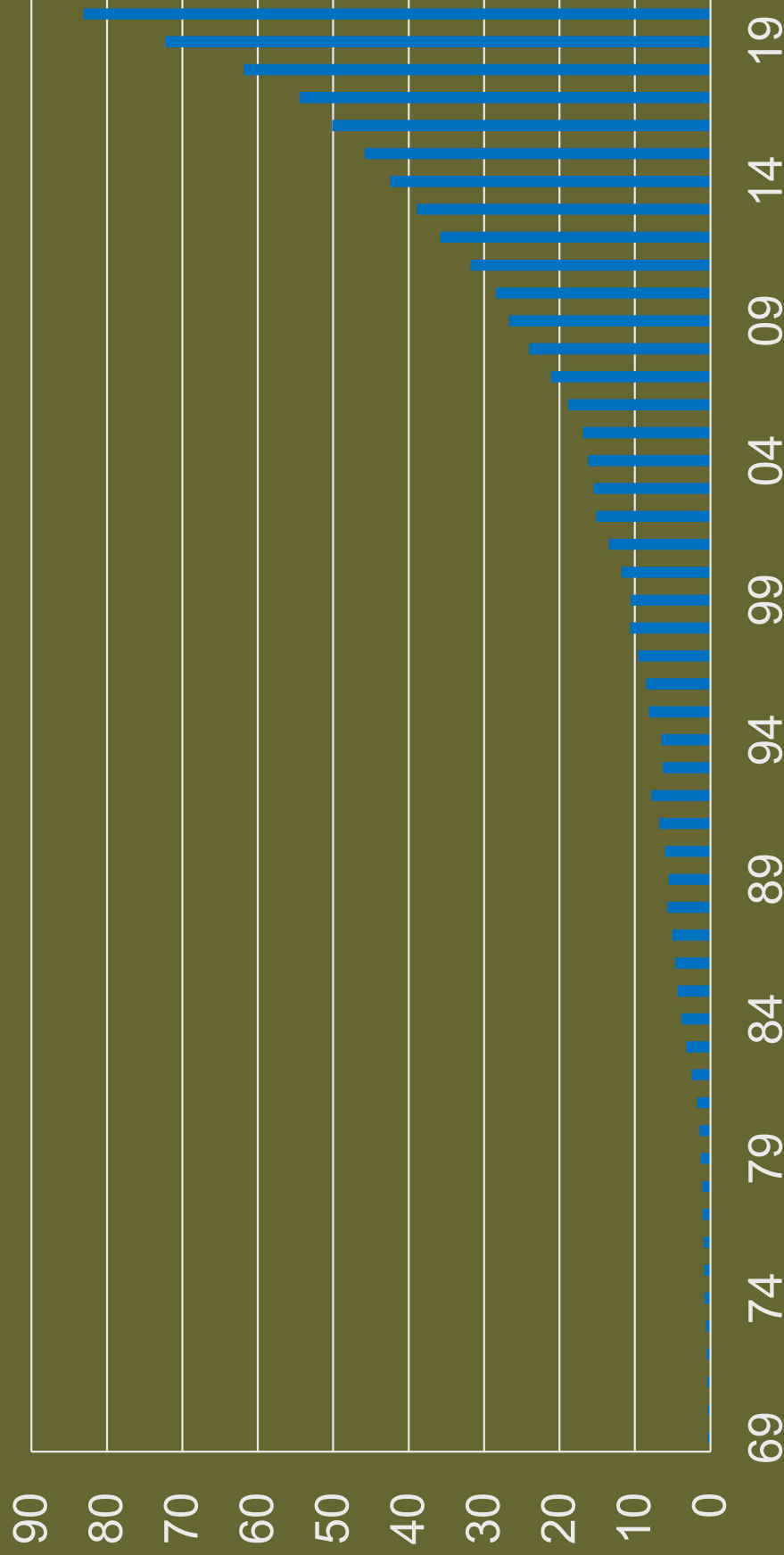


# Capital Growth

## 1969 – 2020

2020 Total Capital \$83,096,264

Millions

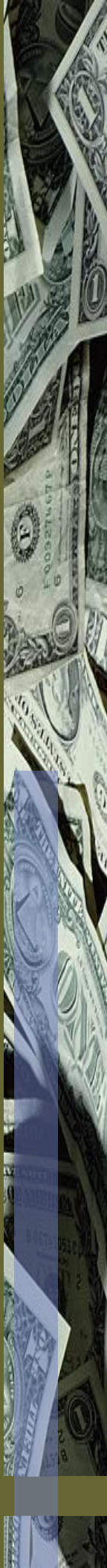
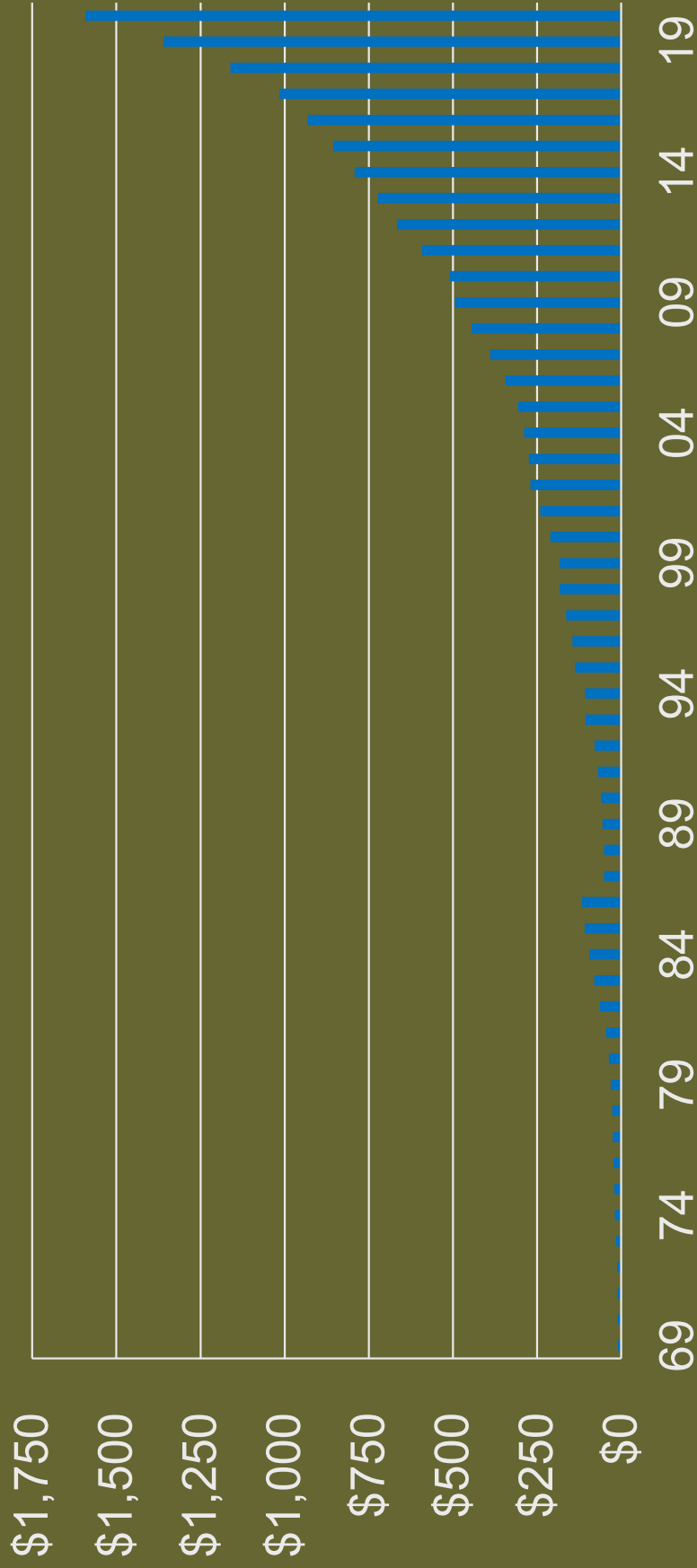




# Book Value Per Share

## 1969 – 2020

\$1,592.95 as of 12/31/2020







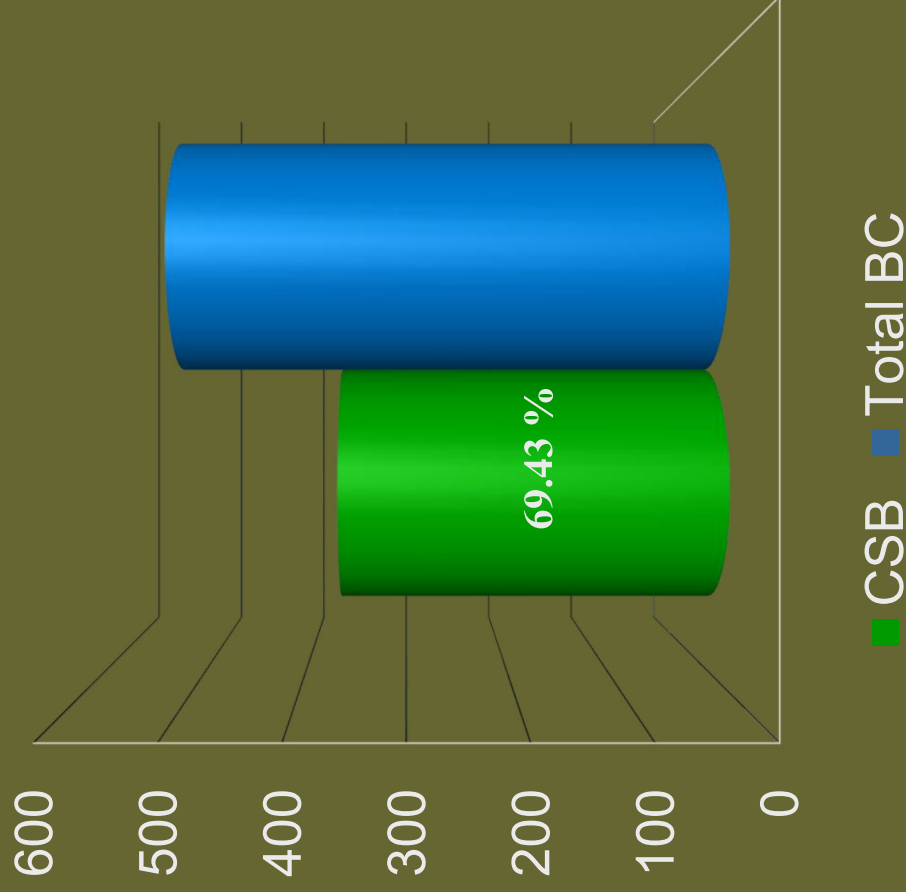
# Financial Information

Year	Total Assets	Total Deposits	Total Loans	Total Invests	Total Capital	Book Value
1970	5,209,225	4,732,417	1,742,836	2,130,828	396,000	\$9,78
1980	20,716,147	18,899,618	5,759,077	12,734,330	1,464,692	\$36.17
1990	69,881,110	62,457,487	16,265,558	34,330,773	5,531,042	\$55.31
2000	123,730,596	111,905,074	60,143,871	59,652,559	11,825,522	\$210.03
2010	362,716,957	332,406,556	193,334,556	117,538,965	28,382,243	\$527.55
2020	776,340,588	686,966,904	469,998,385	191,652,934	83,096,264	\$1,592.95





# Total Burleson County Deposits





# Burleson County Deposits

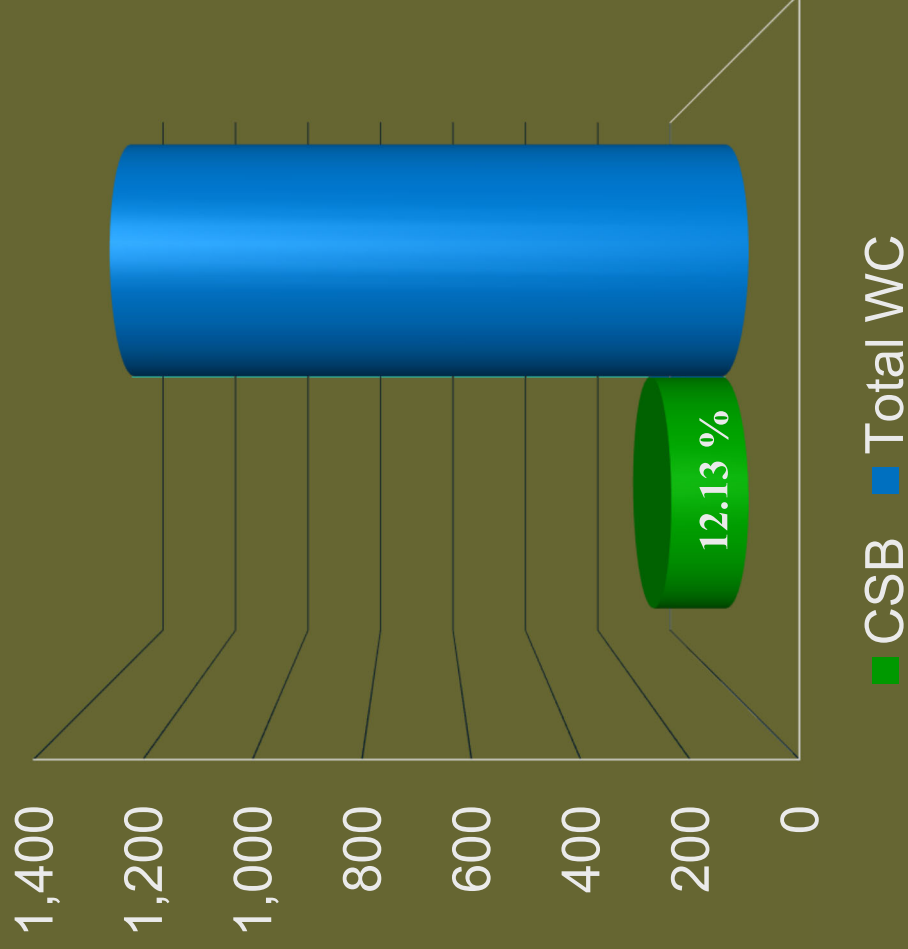
June 30, 2020

Name	Offices	Deposits	Market Share
Citizens State Bank	4	364,008,000	69.43%
Prosperity Bank	1	102,264,000	19.51%
BB & T	1	57,977,000	11.06%





# Total Washington County Deposits





# Washington County Deposits

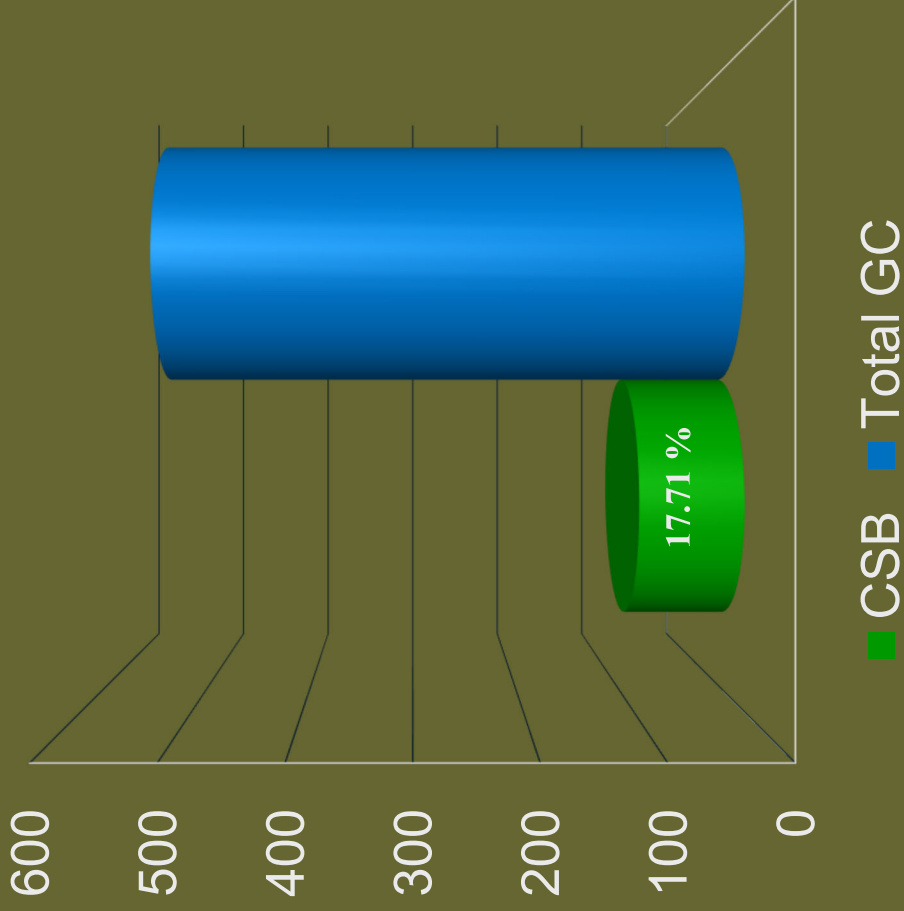
June 30, 2020

Name	Offices	Deposits	Market Share
Bank of Brenham	1	448,178,000	33.26%
Brenham National	2	309,872,000	23.00%
Citizens State Bank	1	163,395,000	12.13%
JP Morgan Chase	1	141,995,000	10.54%
Wells Fargo	3	107,110,000	7.95%
Burton State Bank	1	70,102,000	5.20%
BBVA-Compass	1	64,259,000	4.77%
Chappell Hill Bank	1	35,275,000	2.62%
Wood Forest	1	7,194,000	0.53%





# Total Grimes County Deposits





# Grimes County Deposits

June 30, 2020

Name	Offices	Deposits	Market Share
1 <sup>st</sup> National-Anderson	2	178,575,000	33.22%
1 <sup>st</sup> State Bank-Bedias	1	96,535,000	17.96%
Citizens State Bank	1	95,231,000	17.71%
Prosperity	1	78,827,000	14.66%
Wells Fargo	1	49,099,000	9.13%
BBVA – Compass	1	39,330,000	7.32%





# CSB Bancshares, Inc. Somerville, Texas



## 2020 Stockholders Meeting

April 29, 2020

1:30 PM



CSB BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Financial Statements with

Report of Independent Auditor

December 31, 2020 and 2019

## **Table of Contents**

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Consolidated Statement of Changes in Shareholders' Equity .....	6
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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
and Shareholders  
CSB Bancshares, Inc. and Subsidiaries

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Opinion

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

Report on Consolidating Information in Schedules I and II

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in schedules I and II 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Seidel Schroeder

College Station, Texas  
March 5, 2021

CSB BANCSHARES, INC. AND SUBSIDIARIES

**Consolidated Balance Sheets**  
**As of December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 13,324,820	\$ 12,020,244
Interest bearing deposits in other institutions	10,000,000	10,000,000
Federal funds sold	50,000,000	40,000,000
Cash and cash equivalents	73,324,820	62,020,244
Time deposits at other institutions	245,000	245,000
Investment debt securities (Notes 1 and 2)		
Securities held-to-maturity (fair value of \$10,570,259 in 2020 and \$2,114,873 in 2019)	10,564,000	2,104,000
Securities available-for-sale, at fair value	181,088,934	127,917,669
Total investment debt securities	191,652,934	130,021,669
Investment equity securities, at fair value (Notes 1 and 2)	1,671,483	1,639,626
Loans, net (Notes 1 and 3)	469,998,385	422,784,853
Premises and equipment, net (Notes 1 and 4)	20,319,434	18,498,326
Other real estate owned (Note 5)	1,338,069	526,522
Accrued interest receivable	3,296,548	3,067,886
Cash surrender value of life insurance	12,847,145	12,546,917
Deferred tax asset (Note 7)	710,397	1,048,161
Other assets	936,373	963,982
Total Assets	\$ 776,340,588	\$ 653,363,186
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits		
Non-interest-bearing demand	\$ 209,167,984	\$ 157,689,609
Interest-bearing demand	275,022,853	225,854,982
Savings	65,032,929	54,247,428
Time deposits (Note 8)	137,743,138	137,320,128
Total Deposits	686,966,904	575,112,147
Accrued interest payable	267,052	397,433
Accrued expense and other liabilities	6,010,368	5,644,418
Total Liabilities	693,244,324	581,153,998
Stockholder's Equity		
Common stock, \$10 par value; 100,000 shares authorized; 60,094 shares issued at December 31, 2020 and 2019; 52,165 shares outstanding at December 31, 2020 and 53,137 shares outstanding at December 31, 2019	600,940	600,940
Retained earnings	83,355,957	72,883,521
Accumulated other comprehensive income: unrealized gain on securities available-for-sale, net of applicable deferred income taxes	3,230,070	1,143,539
	87,186,967	74,628,000
Treasury stock, at cost, 7,929 shares at December 31, 2020 and 6,957 shares at December 31, 2019	(4,090,703)	(2,418,812)
Total stockholders' equity	83,096,264	72,209,188
Total Liabilities and Stockholder's Equity	\$ 776,340,588	\$ 653,363,186

See accompanying notes to the consolidated financial statements.

CSB BANCSHARES, INC. AND SUBSIDIARIES

**Consolidated Statements of Income**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Interest Income		
Interest and fees on loans	\$ 29,306,414	\$ 26,424,341
Interest on investment securities:		
U.S. Government and Federal agency obligations	1,396,945	1,796,760
Obligations of states and political subdivisions	440,004	364,437
Residential mortgage-backed securities	1,149,904	672,936
Interest on federal funds sold	113,397	789,551
Other interest income	162,847	302,233
Total interest income	<u>32,569,511</u>	<u>30,350,258</u>
Interest expense		
Interest-bearing demand deposits	1,478,310	1,770,365
Savings accounts	79,843	176,674
Time deposits	2,345,620	2,669,022
Total interest expense	<u>3,903,773</u>	<u>4,616,061</u>
Net interest income	28,665,738	25,734,197
Provision for loan losses (Note 3)	<u>1,050,000</u>	<u>1,188,000</u>
Net interest income after provision for loan losses	27,615,738	24,546,197
Noninterest income		
Service charges on deposit accounts	3,392,725	3,783,256
Other service charges and fees	582,526	512,827
Earnings on cash surrender value of life insurance	358,404	367,007
Other	133,151	74,309
Total noninterest income	<u>4,466,806</u>	<u>4,737,399</u>
Noninterest expenses		
Salaries and employee benefits (Note 6)	10,517,778	9,542,948
Net occupancy expense	1,132,913	974,747
Data processing service	902,175	832,231
Professional fees	347,566	416,058
Furniture and equipment expense	1,199,904	1,150,763
FDIC assessment	160,000	62,480
Other operating expense	3,894,388	4,078,848
Total other expenses	<u>18,154,724</u>	<u>17,058,075</u>
Net income before taxes	13,927,820	12,225,521
Income taxes (Note 7)	<u>2,777,238</u>	<u>2,425,271</u>
Net Income	<u>\$ 11,150,582</u>	<u>\$ 9,800,250</u>

See accompanying notes to the consolidated financial statements.

CSB BANCSHARES, INC. AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Net Income	\$ 11,150,582	\$ 9,800,250
Other comprehensive income, net of tax:		
Unrealized gains on securities available-for-sale:		
Unrealized holding gains arising during the period, net of applicable deferred income tax expense of \$554,647 in 2020 and \$372,585 in 2019	<u>2,086,531</u>	<u>1,401,629</u>
Other comprehensive income, net of income tax	<u>2,086,531</u>	<u>1,401,629</u>
Total Comprehensive Income	<u>\$ 13,237,113</u>	<u>\$ 11,201,879</u>

See accompanying notes to the consolidated financial statements.

CSB BANCSHARES, INC. AND SUBSIDIARIES

**Consolidated Statements of Changes in Stockholder's Equity  
For the Years Ended December 31, 2020 and 2019**

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2018	\$ 600,940	\$63,800,064	\$ (284,100)	\$(2,248,629)	\$61,868,275
Net income for year ended December 31, 2019	-	9,800,250	-	-	9,800,250
Reclassification of Equity Securities	-	(26,010)	26,010	-	-
Other comprehensive income (loss)	-	-	1,401,629	-	1,401,629
Purchase of treasury stock (135 shares)	-	-	-	(170,183)	(170,183)
Cash dividends paid (\$13.00 per share)	-	(690,783)	-	-	(690,783)
Balance at December 31, 2019	\$ 600,940	\$72,883,521	\$ 1,143,539	\$(2,418,812)	\$72,209,188
Net income for year ended December 31, 2020	-	11,150,582	-	-	11,150,582
Other comprehensive income (loss)	-	-	2,086,531	-	2,086,531
Purchase of treasury stock (972 shares)	-	-	-	(1,671,891)	(1,671,891)
Cash dividends paid (\$13.00 per share)	-	(678,146)	-	-	(678,146)
Balance at December 31, 2020	<u>\$ 600,940</u>	<u>\$83,355,957</u>	<u>\$ 3,230,070</u>	<u>\$(4,090,703)</u>	<u>\$83,096,264</u>

See accompanying notes to the consolidated financial statements



CSB BANCSHARES, INC. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Interest received	\$ 33,017,307	\$ 29,889,053
Fees and commissions received	3,975,251	4,296,083
Other income	34,403	32,325
Cash paid to vendors and employees	(16,596,068)	(15,420,352)
Interest paid	(4,034,154)	(4,539,916)
Income taxes paid	(3,125,000)	(2,450,000)
Net cash provided by operating activities	<u>13,271,739</u>	<u>11,807,193</u>
Cash flows from investing activities:		
Proceeds from maturities and principal paydowns of securities held-to-maturity	925,000	81,893,651
Proceeds from maturities and principal paydowns of securities available-for-sale	176,749,974	94,455,464
Purchases of securities held-to-maturity	(9,385,000)	(80,745,754)
Purchases of securities available-for-sale	(227,893,687)	(124,165,097)
Purchases of equity securities	-	(649,682)
Net (increase) decrease in loans	(49,474,193)	(41,991,457)
Capital expenditures	(2,762,178)	(2,539,895)
Purchase of other real estate	(5,662)	(211,879)
Proceeds from sales and retirements of fixed assets	85,774	41,984
Proceeds from sales of other real estate and repossessed assets	288,089	1,607,413
Net cash provided (used) by investing activities	<u>(111,471,883)</u>	<u>(72,305,252)</u>
Cash flows from financing activities:		
Net increase (decrease) in demand and savings accounts	111,431,747	47,200,798
Net increase (decrease) in time deposits	423,010	10,048,205
Cash dividends paid	(678,146)	(690,783)
Treasury stock purchased	(1,671,891)	(170,183)
Net cash provided (used) by financing activities	<u>109,504,720</u>	<u>56,388,037</u>
Net increase (decrease) in cash and cash equivalents	11,304,576	(4,110,022)
Cash and cash equivalents, beginning of year	<u>62,020,244</u>	<u>66,130,266</u>
Cash and cash equivalents, end of year	<u><u>\$ 73,324,820</u></u>	<u><u>\$ 62,020,244</u></u>

See accompanying notes to the consolidated financial statements.

CSB BANCSHARES, INC. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Reconciliation of net income to net cash provided from operating activities		
Net income	\$ 11,150,582	\$ 9,800,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	906,699	831,068
Provision for loan losses	1,050,000	1,188,000
Net accretion and amortization	629,115	(53,460)
Write-down in value of other real estate	113,687	40,500
(Increase) decrease in cash surrender value of life insurance	(300,228)	(367,007)
(Gain) loss on equity securities	(47,344)	(24,530)
(Gain) loss on sale of other real estate and repossessed assets	(559)	180,570
(Gain) loss on fixed assets	(51,404)	(41,984)
(Increase) decrease in federal income taxes receivable	(130,879)	272,747
(Increase) decrease in accrued interest receivable	(228,663)	(383,215)
(Increase) decrease in deferred tax asset	(226,825)	(297,476)
(Increase) decrease in other assets	171,988	145,960
Increase (decrease) in accrued interest payable	(130,381)	76,145
Increase (decrease) in accrued liabilities	365,951	439,625
	<u>2,121,157</u>	<u>2,006,943</u>
Net cash provided (used) by operating activities	<u>\$ 13,271,739</u>	<u>\$ 11,807,193</u>

See accompanying notes to the consolidated financial statements.

**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

1. Basis of presentation and summary of significant accounting policies

The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles and with generally accepted accounting practices within the banking industry. The following is a description of the more significant accounting policies of CSB Bancshares, Inc. and subsidiaries.

Nature of operations

Citizens State Bank, a subsidiary of CSB Bancshares, Inc. (the "Bank") provides a variety of financial services to individuals and corporate customers through its six branches in Somerville, Brenham, Caldwell, Deanville, Navasota, and Snook, Texas which are primarily agricultural, cattle, oil and gas, and light industrial areas. The Bank's primary deposit products are interest-bearing checking accounts and certificates of deposit. Its primary lending products are commercial and real estate loans. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the Texas State Banking Department and the Federal Deposit Insurance Corporation (the "FDIC").

Principles of consolidation

CSB Bancshares, Inc. (the "Company") was organized as a bank holding company to acquire the outstanding common stock of Citizens State Bank. CSB Delaware, Inc. was subsequently organized as a tiered bank holding company (together, the "Companies"). CSB Bancshares, Inc. owns all of the outstanding common stock of CSB Delaware, Inc. while CSB Delaware, Inc. owns all of the outstanding common stock of Citizens State Bank. The consolidated financial statements include the accounts of both holding companies and the Bank. All significant intercompany accounts and transactions have been eliminated as shown in the Supplemental Schedules.

Use of estimates

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with these estimates, management obtains independent appraisals for significant properties.

While management uses available information to recognize losses on loans and foreclosed real estate, future changes to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for losses on loans and foreclosed real estate. Such agencies may require the Bank to recognize changes to the allowances based on their judgments about information available to them at the time of their examination.

Cash and cash equivalents

Cash and cash equivalents include cash and balances due from banks, federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Investment debt securities

Debt securities are classified as held-to-maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method. Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value which are included in earnings as realized losses.

In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

**Notes to Consolidated Financial Statements  
December 31, 2020 and 2019**

Investment equity securities

Equity securities not using the equity method are carried at estimated fair value based on quoted prices in active markets and information provided by a third-party pricing service with changes in fair value and realized gains or losses reported in noninterest income. If fair value is not readily determinable, the equity security is carried at cost subject to adjustments for any observable market transactions on the same or similar instruments of the investee. All equity securities are evaluated at least annually for impairment. Because changes in fair value are recorded as they occur, there is no expectation of a gain or loss on the sale of equity securities.

Loans

Loans that management intends to hold until maturity or payoff are stated at unpaid principal balances, less the allowance for loan losses and net deferred loan fees and unearned discounts. Unearned discounts on installment loans are recognized as income over the term of the loans using a method that approximates the interest method.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received. Loans are generally placed on nonaccrual when a loan is specifically determined to be impaired or when principal or interest is delinquent for ninety days or more. Past due status is based on the contractual terms of the loan agreement. Loans are returned to accrual status after the borrower has exhibited a continued ability to make payments and no further loss is anticipated. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income.

Allowance for loan losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the loan balance is confirmed as uncollectable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. An allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

Determination of impairment is treated the same across all classes of loans. When the Bank identifies a loan as impaired, the Bank measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Bank uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If the Bank determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Bank recognizes impairment through an allowance estimate or a charge-off to the allowance. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

Troubled debt restructurings

In situations where, for economic or legal reason related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the borrower that the Bank would not otherwise consider, the related loan is classified as a troubled debt restructuring.

These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Bank grants the borrower new terms that provide for a reduction of either interest or principal, the Bank measures any impairment on the restructuring as previously noted for impaired loans. After a period of time, usually twelve months, if the loan is performing under the restructured terms, and after review, the Bank believes the status will continue, the loan is moved back into the respective segment or class and the allowance is calculated using the pooling method for the respective pool.

Other real estate

Real estate properties acquired through or in lieu of loan foreclosure is initially recorded at fair value less estimated selling cost at the date of foreclosure, establishing a new cost basis. Any write-downs made on the asset's fair value at date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Cost of significant property improvements is capitalized, whereas cost relating to holding property is expensed. Valuations are periodically performed by management and any subsequent write-downs are expensed.

Bank premises and equipment

Land is carried at cost. Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line and declining balance methods over the estimated useful lives of the related assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in income for the period.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Federal income taxes

The Bank joins the Companies in filing a consolidated federal income tax return. Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, allowance for loan losses, allowance for losses on foreclosed real estate, deferred gains on sales of other real estate, accrued interest on nonaccrual loans, deferred compensation and accumulated depreciation for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Comprehensive income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale which are also recognized as separate components of equity.

Bank dividends

Banking regulations and regulatory authorities can limit the ability of the Bank to pay dividends.

**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

Off-balance-sheet credit related financial instruments

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

New Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. The guidance also changes certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The ASU was effective for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. According to this guidance, non-public business entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost. The Bank elected to early adopt this provision during 2017. The remainder of ASU 2016-01, was adopted effective January 1, 2019 and did not have a material impact on the Bank's financial statements. The cumulative effect of the adoption resulted in an adjustment between retained earnings and accumulated other comprehensive income of approximately \$26,000.

In May 2014, FASB issued Accounting Standards Update 2014-09 – *Revenue from Contracts with Customers*, which establishes the principles to report useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2018 for nonpublic entities. This guidance applies to entities that enter into contracts with customers to transfer goods or services or for the transfer of nonfinancial assets. The scope of the guidance specifically excludes interest income and expense of financial assets and financial liabilities. The bank's revenues consist mainly of net interest income of financial assets and liabilities. Accordingly, this guidance does not have a material impact on the financial statements of the bank.

Date of management's review

Management has evaluated subsequent events through March 5, 2021, the date the financial statements were available to be issued. No material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

**2. Investment Securities**

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity as of December 31, 2020 and 2019 and the corresponding amount of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

Securities held to maturity consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
State and local governments	\$ 10,564,000	\$ 6,259	\$ -	\$ 10,570,259
	\$ 10,564,000	\$ 6,259	\$ -	\$ 10,570,259
December 31, 2019				
State and local governments	\$ 2,104,000	\$ 10,905	\$ 32	\$ 2,114,873
	\$ 2,104,000	\$ 10,905	\$ 32	\$ 2,114,873

CSB BANCSHARES, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements  
December 31, 2020 and 2019**

Securities available-for-sale consist of the following:

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and local governments	\$ 41,859,635	\$ 552,916	\$ 18,844	\$ 42,393,707
U.S. Government and agency securities	67,646,794	2,412,181	-	70,058,975
Mortgage-backed securities	66,273,505	1,235,586	99,106	67,409,985
Collateralized mortgage obligations	1,220,304	5,963	-	1,226,267
	\$177,000,238	\$4,206,646	\$ 117,950	\$181,088,934
December 31, 2019				
State and local governments	\$ 12,859,585	\$ 172,697	\$ 3,179	\$ 13,029,103
U.S. Government and agency securities	63,394,650	890,973	-	64,285,623
Mortgage-backed securities	43,853,503	372,752	15,163	44,211,092
Collateralized mortgage obligations	6,362,413	29,438	-	6,391,851
	\$ 126,470,151	\$1,465,860	\$ 18,342	\$127,917,669

Investments in equity securities carried at fair value of approximately \$1,671,000 and 1,640,000 as of December 31, 2020 and 2019, respectively, had gains of approximately \$47,000 and \$25,000 during the years ended December 31, 2020 and 2019, respectively.

The amortized cost and estimated fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Held-to-Maturity		Securities Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 875,000	\$ 877,219	\$ 7,722,627	\$ 7,776,954
Due after one year through five years	2,913,000	2,917,299	79,042,042	81,669,432
Due after five years through ten years	3,240,000	3,240,741	22,741,760	23,006,296
Due after ten years	3,536,000	3,535,000	-	-
	\$ 10,564,000	\$ 10,570,259	\$ 109,506,429	\$ 112,452,682
Collateralized mortgage obligations	-	-	66,273,505	67,409,985
Mortgage obligations	-	-	1,220,304	1,226,267
	\$ 10,564,000	\$ 10,570,259	\$ 177,000,238	\$ 181,088,934

The Bank did not receive any proceeds from the sale of securities available-for-sale in 2020 or 2019.

Investment securities with fair value of approximately \$124,056,000 and \$90,870,000 as of December 31, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes required by law.

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**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

The following table summarizes securities with unrealized losses at December 31, 2020 and 2019, the unrealized losses and fair value, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2020</b>						
Securities available-for-sale:						
State and local governments	\$ 4,669,491	\$ 18,844	\$ -	\$ -	\$ 4,669,491	\$ 18,844
Mortgaged-backed securities	22,857,282	99,106	-	-	22,857,282	99,106
Total available-for-sale	27,526,773	117,950	-	-	27,526,773	117,950
Total investment securities	<u>\$27,526,773</u>	<u>\$117,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$27,526,773</u>	<u>\$117,950</u>
<b>December 31, 2019</b>						
Securities available-for-sale:						
State and local governments	\$ 901,479	\$ 501	\$1,214,156	\$ 2,678	\$ 2,115,635	\$ 3,179
Mortgaged-backed securities	9,460,302	15,163	-	-	9,460,302	15,163
Total available-for-sale	10,361,781	15,664	1,214,156	2,678	11,575,937	18,342
Securities held-to-maturity:						
Municipal Bonds	108,968	32	-	-	108,968	32
Total investment securities	<u>\$10,470,749</u>	<u>\$15,696</u>	<u>\$1,214,156</u>	<u>\$2,678</u>	<u>\$11,684,905</u>	<u>\$18,374</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis considering the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, the Bank does not consider these declines to be other-than-temporary.

3. Loans

The loan portfolio at December 31, 2020 and 2019 was comprised of the following principal categories:

	2020	2019
Residential Real Estate	\$ 151,389,153	\$ 137,741,078
Commercial Real Estate	199,348,844	176,177,459
Agricultural	27,727,603	27,035,177
Commercial & Industrial	77,219,023	64,354,784
Consumer & Other	19,433,855	22,166,980
Totals	475,118,478	427,475,478
Less: Allowance for Loan Losses	5,120,093	4,690,625
	<u>\$ 469,998,385</u>	<u>\$ 422,784,853</u>



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The following tables present by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans for the years ended December 31, 2020 and 2019.

December 31, 2020	Residential Real Estate	Commercial Real Estate	Agricultural	Commercial & Industrial	Consumer & Other	Total
Allowance for loan losses:						
Beginning balance	\$ 1,109,628	\$ 1,355,926	\$ 406,998	\$ 1,149,649	\$ 668,424	\$ 4,690,625
Charge-offs	-	(13,028)	(54,930)	(514,806)	(376,649)	(959,413)
Recoveries	-	-	1,428	177,973	159,480	338,881
Provisions	203,439	380,157	50,224	344,158	72,022	1,050,000
Ending Balance	\$ 1,313,067	\$ 1,723,055	\$ 403,720	\$ 1,156,974	\$ 523,277	\$ 5,120,093
Ending Balances:						
Individually evaluated for impairment	\$ 349,332	\$ 908,540	\$ 234,307	\$ 677,430	\$ 177,446	\$ 2,347,055
Collectively evaluated for impairment	963,735	814,515	169,413	479,544	345,831	2,773,038
Loans Receivable:						
Ending Balances:						
Individually evaluated for impairment	42,446,117	107,273,949	9,041,469	20,843,398	1,695,477	181,300,410
Collectively evaluated for impairment	108,943,036	92,074,895	18,686,134	56,375,625	17,738,378	293,818,068
Total	\$151,389,153	\$199,348,844	\$27,727,603	\$77,219,023	\$19,433,855	\$475,118,478
December 31, 2019	Residential Real Estate	Commercial Real Estate	Agricultural	Commercial & Industrial	Consumer & Other	Total
Allowance for loan losses:						
Beginning balance	\$ 1,035,353	\$ 1,286,236	\$ 440,870	\$ 868,639	\$ 654,504	\$ 4,285,602
Charge-offs	-	-	(23,711)	(330,351)	(722,170)	(1,076,232)
Recoveries	-	120	450	74,659	218,026	293,255
Provisions	74,275	69,570	(10,611)	536,702	518,064	1,188,000
Ending Balance	\$ 1,109,628	\$ 1,355,926	\$ 406,998	\$ 1,149,649	\$ 668,424	\$4,690,625
Ending Balances:						
Individually evaluated for impairment	\$ 281,564	\$ 967,883	\$ 236,197	\$ 852,597	\$ 260,136	\$ 2,598,377
Collectively evaluated for impairment	828,064	388,043	170,801	297,052	408,288	2,092,248
Loans Receivable:						
Ending Balances:						
Individually Evaluated for impairment	38,767,105	129,796,792	7,026,780	30,700,110	1,573,926	207,864,713
Collectively evaluated for impairment	98,973,973	46,380,667	20,008,398	33,654,673	20,593,052	219,610,765
Total	\$137,741,078	\$176,177,459	\$27,035,178	\$64,354,783	\$22,166,980	\$427,475,478

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The following presents loans by category at December 31, 2020 and 2019, respectively, individually evaluated and considered impaired under FASB ASC 310 "Accounting by creditors for Impairment of a Loan."

	As of December 31, 2020			For the Year Ended December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:					
Residential real estate	\$ 2,326,326	\$ 2,326,326	\$ -	\$ 2,308,929	\$ 96,084
Commercial real estate	1,812,378	1,812,378	-	1,853,201	43,874
Agricultural	62,667	62,667	-	87,867	5,551
Commercial & industrial	570,268	57,268	-	698,130	5,021
Consumer and other	34,204	34,204	-	104,290	4,464
With an allowance recorded:					
Residential real estate	-	-	-	-	-
Commercial real estate	109,769	109,769	26,578	114,636	-
Agricultural	489,552	489,552	162,044	517,052	-
Commercial & industrial	870,211	870,211	519,842	777,438	8,557
Consumer and other	287,291	287,291	150,972	275,354	23,041
Total:					
Residential real estate	2,326,326	2,326,326	-	2,308,929	96,084
Commercial real estate	1,922,147	1,922,147	26,578	1,967,837	43,874
Agricultural	552,219	552,219	162,044	604,919	5,551
Commercial & industrial	1,440,479	1,440,479	519,842	1,475,568	13,578
Consumer and other	321,495	321,495	150,972	379,644	27,505
	<u>\$ 6,562,666</u>	<u>\$ 6,562,666</u>	<u>\$ 859,436</u>	<u>\$ 6,736,897</u>	<u>\$ 186,592</u>

	As of December 31, 2019			For the Year Ended December 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:					
Residential real estate	\$ 1,472,454	\$ 1,472,454	\$ -	\$ 1,565,923	\$ 70,138
Commercial real estate	2,040,374	2,040,374	-	2,071,844	53,070
Agricultural	245,836	245,836	-	245,007	10,997
Commercial & industrial	1,016,958	1,016,958	-	1,044,130	5,545
Consumer and other	47,691	47,691	-	69,217	2,428
With an allowance recorded:					
Residential real estate	341,975	341,975	5,288	345,065	18,730
Commercial real estate	119,503	119,503	35,503	119,515	5,053
Agricultural	638,783	638,783	189,181	642,577	3,355
Commercial & industrial	1,069,732	1,069,732	625,924	993,297	28,563
Consumer and other	429,530	429,530	238,793	431,578	19,197
Total:					
Residential real estate	1,814,429	1,814,429	5,288	1,910,988	88,868
Commercial real estate	2,159,877	2,159,877	35,503	2,191,359	58,123
Agricultural	884,619	884,619	189,181	887,584	14,352
Commercial & industrial	2,086,690	2,086,690	625,924	2,037,427	34,108
Consumer and other	477,221	477,221	238,793	500,795	21,625
	<u>\$ 7,422,836</u>	<u>\$ 7,422,836</u>	<u>\$ 1,094,689</u>	<u>\$ 7,528,153</u>	<u>\$ 217,076</u>

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The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis. The Bank uses the following definitions for risk ratings:

**Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. As of December 31, 2020, and 2019 based on the most recent analysis performed, the risk category of loans by class of loans is shown in the table below.

December 31, 2020	Pass	Special Mention	Substandard	Doubtful
Residential real estate	\$ 144,507,600	\$ 1,976,214	\$ 4,905,339	\$ -
Commercial real estate	192,173,229	2,393,776	4,781,839	-
Agricultural	26,205,101	257,767	1,264,735	-
Commercial & industrial	73,750,405	1,226,983	2,241,635	-
Consumer & other	18,538,083	54,255	841,517	-
Total	\$ 455,174,418	\$ 5,908,995	\$ 14,035,065	\$ -
December 31, 2019				
Residential real estate	\$ 131,838,126	\$ 2,172,459	\$ 3,730,493	\$ -
Commercial real estate	168,037,900	3,037,324	5,102,235	-
Agricultural	25,510,630	64,865	1,459,682	-
Commercial & industrial	60,914,368	403,466	3,036,950	-
Consumer & other	21,254,573	115,622	796,785	-
Total	\$ 407,555,597	\$ 5,793,736	\$ 14,126,145	\$ -

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The following table presents loans past due and on non-accrual status by loan category as of December 31, 2020 and 2019:

	30-59 Days Past Due	60-90 Days Past Due	Greater than 90 days and Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current
<u>December 31, 2020</u>						
Residential real estate	\$ 2,708,800	\$ 1,547,052	\$ 546,642	\$ 1,915,082	\$ 6,717,576	\$144,671,577
Commercial real estate	2,041,783	-	322,666	2,313,828	4,678,277	194,670,567
Agricultural	220,371	27,714	15,075	830,763	1,093,923	26,633,680
Commercial & industrial	1,712,950	561,806	110,311	1,372,474	3,757,541	73,461,482
Consumer & other	755,704	344,086	154,652	344,316	1,598,758	17,835,097
<u>Total</u>	<u>\$ 7,439,608</u>	<u>\$ 2,480,658</u>	<u>\$ 1,149,346</u>	<u>\$ 6,776,463</u>	<u>\$ 17,846,075</u>	<u>\$457,272,403</u>
<u>December 31, 2019</u>						
Residential real estate	\$ 4,446,554	\$ 1,852,536	\$ 614,189	\$ 1,048,304	\$ 7,961,583	\$129,779,495
Commercial real estate	3,491,018	817,232	448,616	1,617,108	6,373,974	169,803,485
Agricultural	612,473	142,013	19,904	1,024,929	1,799,319	25,235,858
Commercial & industrial	1,397,947	618,581	267,638	2,127,391	4,411,557	59,943,227
Consumer & other	1,134,040	434,305	54,561	489,783	2,112,689	20,054,291
<u>Total</u>	<u>\$11,082,032</u>	<u>\$ 3,864,667</u>	<u>\$ 1,404,908</u>	<u>\$ 6,307,515</u>	<u>\$ 22,659,122</u>	<u>\$404,816,356</u>

During 2020 and 2019, the Bank restructured loans to improve the likelihood that the loans would be repaid in full under the modified terms in accordance with reasonable repayment schedules. Management evaluates each of these loans in accordance with generally accepted accounting principles to determine whether they should be reported as troubled debt restructurings. All loans modified under troubled debt restructurings have been identified by the Bank as impaired in its calculation of the allowance for loan losses. The following summarizes troubled debt restructuring that occurred during 2020 and 2019:

<u>December 31, 2020</u>	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Real Estate	1	\$ 502,557	\$ 502,557
<u>December 31, 2019</u>	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial & Industrial	1	\$ 468,702	\$ 468,702
Consumer and other	1	\$ 17,223	\$ 17,223

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**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

4. Premises and equipment

A summary of premises and equipment, and the related accumulated depreciation as of December 31, 2020 and 2019 follows:

	2020	2019
Land	\$ 1,257,445	\$ 1,257,445
Banking house	23,653,528	18,996,920
Furniture, fixtures and equipment	7,962,312	7,281,806
Construction in progress	-	2,632,877
Other	224,051	278,979
Total Fixed Assets	33,097,336	30,448,027
Accumulated Depreciation	12,777,902	11,949,701
Adjusted Total Fixed Assets	<u>\$ 20,319,434</u>	<u>\$ 18,498,326</u>

Depreciation expense for 2020 and 2019 is as follows:

	2020	2019
Banking house	\$ 550,135	\$ 473,632
Furniture, fixtures, and equipment	333,542	334,414
Other	23,022	23,022
Total Depreciation Expense	<u>\$ 906,699</u>	<u>\$ 831,068</u>

5. Other real estate owned

Other real estate owned consists of the following:

	2020	2019
Real estate acquired in settlement of loans	\$1,478,993	\$ 564,522
Less: valuation allowance	140,924	38,000
	<u>\$1,338,069</u>	<u>\$ 526,522</u>

Activity in the valuation allowance for other real estate was as follows:

	2020	2019
Beginning balance	\$ 38,000	\$ 10,762
Writedowns in value - charged to income	113,687	40,500
Allowance applied against disposed property	(10,763)	(13,262)
Ending Balance	<u>\$ 140,924</u>	<u>\$ 38,000</u>

6. Employee benefits

Employees are eligible to participate in the 401(k) plan after 90 days of service, however participation is not mandatory. The Bank matches employees' contribution up to 5% of compensation. Contributions by the Bank to the 401(k)-plan totaled \$346,800 in 2020 and \$270,998 in 2019. Expenses for the 2020 and 2019 totaled \$5,532 and \$5,000, respectively.

The Bank established an executive deferred compensation plan, an executive indexed retirement plan, and executive performance driven plan, and a salary continuation plan in 2002. The amount contributed by the Bank is determined by the Board of Directors. The contributions for all plans was \$462,925 and \$411,450 for the years ended December 31, 2020 and 2019, respectively. The deferred liability for these plans totaled \$4,725,207 and \$4,588,335 as of December 31, 2020 and 2019, respectively, which is reflected under other liabilities. The Bank has acquired life insurance policies to fund the future liabilities of the plans.

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**Notes to Consolidated Financial Statements  
December 31, 2020 and 2019**

7. Federal income taxes

The provision for federal income tax expense includes the following:

	2020	2019
Currently payable	\$ 2,988,560	\$ 2,731,843
Deferred expense (benefit)	(211,322)	(306,572)
Provision for income taxes	<u>\$ 2,777,238</u>	<u>\$ 2,425,271</u>

The provision for income taxes is different from the amounts computed at the statutory rates due to tax-exempt income, the earnings on life insurance policies, and nondeductible expenses.

The components of deferred income taxes were principally related to differences in the basis of securities available-for-sale, allowance for possible loan losses, allowance for foreclosed real estate, deferred gains on sales of other real estate, accrued interest on nonaccrual loans, deferred compensation, and accumulated depreciation of fixed assets.

The components of the net deferred tax assets reflected on the consolidated balance sheets as of December 31, 2020, and 2019, are as follows:

	2020	2019
Deferred tax liabilities	\$ (1,882,464)	\$ (1,238,270)
Deferred tax assets	2,592,861	2,286,431
	<u>\$ 710,397</u>	<u>\$ 1,048,161</u>

The Bank recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Interest and penalties related to tax positions are recognized in the period in which they begin accruing or when the entity claims the position that does not meet the minimum statutory thresholds. During 2020 and 2019, no penalties or interest were recognized. The tax years 2017 and later remain subject to examination.

8. Deposits

Time deposits issued in denominations that meet or exceed the FDIC insurance limit of \$250,000 or more totaled approximately \$28,002,000 and \$29,540,000 at December 31, 2020 and 2019, respectively. The aggregate amount of brokered deposits was \$9,281,000 and \$10,030,000 at December 31, 2020 and 2019, respectively.

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

2021	\$ 108,583,892
2022	12,890,103
2023	4,847,985
2024	9,316,621
2025	2,104,537
	<u>\$ 137,743,138</u>

9. Supplemental cash flows information

Non-cash investing and financing activities consist of the following:

	2020	2019
Property acquired in settlement of loans	\$ 1,210,661	\$1,694,846

10. Related parties

The Bank has entered into transactions with its officers, directors, significant shareholders and their affiliates (related parties). The aggregate amount of loans to such related parties was approximately \$4,502,000 and \$3,645,000 as of December 31, 2020 and 2019, respectively. During 2020, new loans to such related parties amounted to approximately \$817,000 and repayments amounted to approximately \$414,000.

**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

11. Financial instruments with off-balance sheet risk

In the normal course of business, the Bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for instruments included in the consolidated balance sheet.

These commitments and contingent liabilities are commitments to extend credit and standby letters of credit. The Bank had outstanding commitments to originate loans as follows:

<u>As of December 31, 2020</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Total</u>
Real estate	\$ 10,956,676	\$ 552,930	\$ 11,509,606
Commercial and other	14,872,130	5,293,948	20,166,078
	<u>\$ 25,828,806</u>	<u>\$ 5,846,878</u>	<u>\$ 31,675,684</u>
<u>As of December 31, 2019</u>			
Real estate	\$ 7,725,884	\$ 380,271	\$ 8,106,155
Commercial and other	12,595,839	4,157,223	16,753,061
	<u>\$ 20,321,723</u>	<u>\$ 4,537,494</u>	<u>\$ 24,859,217</u>

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

Commitments under standby letters of credit totaled approximately \$477,000 and \$392,000 at December 31, 2020 and 2019, respectively. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed dates of expiration or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as in making commitments to extend credit.

At December 31, 2020, the Bank had available federal funds lines of credit with correspondent banks totaling \$33,000,000.

12. Concentrations of credit

The Bank's loans and commitments have generally been granted to customers in the Bank's market area. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. The Bank, as a matter of policy, generally does not extend credit to any single borrower or group of related borrowers in excess of \$3,000,000.

As typical in the banking industry, the Bank's deposits with other financial institutions are concentrated at several of its correspondent banks.

**Notes to Consolidated Financial Statements  
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13. 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 Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory reporting requirements. The Bank's capital amounts and classification under the prompt corrective action guidelines 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 of common equity, total, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020 and 2019, that the Bank meets all capital adequacy requirements to which it is subject.

Effective January 1, 2020, the federal banking agencies have established a community bank leverage ratio framework for banks with assets of less than \$10 billion of assets meeting specific requirements (including tier 1 capital to total average assets of 9% or more, off balance sheet exposures of 25% or less of total assets and trading assets and liabilities of 5% or less of total assets). Banks electing to follow the alternatives framework and meeting the specific requirements are considered to meet all applicable regulatory capital requirements including the risk-based requirements and will be considered to have met the well-capitalized ratio requirements of Section 38 of the Federal Deposit Insurance Act. A qualifying bank may opt in and out of the community bank leverage ratio framework quarterly on its call report. In addition a bank that has elected to use the community bank leverage ratio framework will continue to be considered well capitalized during a two-quarter grace period after its leverage ratio falls below 9% provided that the leverage ratio remains above 8%.

The Coronavirus Aid, Relief and Economic Security Act of 2020 temporarily lowered the community bank leverage ratio requirement to 8% effective April 23, 2020. The community bank leverage ratio requirement will increase to 8.5% for 2021 and to 9% thereafter. As of December 31, 2020, the Bank has opted to follow the community bank leverage ratio framework.

As of December 31, 2020, the Bank's community bank leverage ratio is 10.8%. As of December 31, 2020, the Company's Tier 1 capital to average total assets was 11.2%. The 2019 actual and required capital amounts and ratios are presented below.

As of December 31, 2019	Actual		≥	For Capital Adequacy Purposes			≥	To be Well Capitalized Under Prompt Corrective Action	
	Amount (in thousands)	Ratio		Amount (in thousands)	Ratio	Amount (in thousands)		Ratio	
Total Capital (to Risk-Weighted Assets)	\$75,696	17.2%	≥	\$35,237	≥ 8.0%	≥	\$44,047	≥ 10.0%	
Tier I Capital (to Risk-Weighted Assets)	71,005	16.1%	≥	26,428	≥ 6.0%	≥	35,237	≥ 8.0%	
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	71,005	16.1%	≥	19,821	≥ 4.5%	≥	28,630	≥ 6.5%	
Leverage Capital (to Adjusted Average Total Assets)	71,005	11.0%	≥	25,722	≥ 4.0%	≥	32,152	≥ 5.0%	

As of December 31, 2020 and 2019, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since December 31, 2020 that management believes have changed the Bank's prompt corrective action category.



**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

14. Fair value measurements

FASB ASC 820, Fair Value Measurements, provides a framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

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

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>				
Available-for-sale securities	\$ 181,089	\$ 70,059	\$ 111,030	\$ -
Equity securities	1,671	1,019	652	-
<u>December 31, 2019</u>				
Available-for-sale securities	\$ 127,918	\$ 64,286	\$ 63,632	\$ -
Equity securities	1,640	999	641	-

Fair values of U.S. treasury securities and investments in the CRA Qualified Investment Fund are determined by quoted market prices (Level 1 inputs). Fair values of other securities are based upon a discounted cash flow methodology utilizing expected future cash flows and discount rates based on perceived credit quality, market quotes, current yields and their spread to benchmark indices.

Fair values of assets and liabilities measured on a nonrecurring basis at December 31, 2020 and 2020 are as follows (dollars in thousands):

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>				
Other real estate owned	\$ 1,338	\$ -	\$ 1,338	\$ -
Impaired loans	897	-	-	897
<u>December 31, 2019</u>				
Other real estate owned	\$ 527	\$ -	\$ 527	\$ -
Impaired loans	1,505	-	-	1,505

The fair value of other real estate owned is determined using appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace, and the related nonrecurring fair value measurement adjustments have been classified as Level 2.

Impaired loans are loans the Bank has measured at fair value. Fair value is generally determined based on the fair value of the loan's collateral, derived from appraisals of the properties, or discounted cash flows based on the expected proceeds. These assets have been classified as Level 3.

**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

15. Coronavirus pandemic

The Coronavirus (COVID-19) pandemic caused financial setbacks for many businesses and individuals. The Bank participated in the Small Business Administration's Paycheck Protection Program, lending approximately \$31,656,000 to qualified borrowers. As of December 31, 2020, approximately \$13,989,000 of these loans had been forgiven. Management expects only a small portion of these loans to remain outstanding after all forgiveness applications have been processed. Processing fees of approximately \$1,303,000 received during 2020 have been included in interest and fees on loans in the accompanying statements of income.

Management continues to monitor and evaluate the continually evolving environment associated with the pandemic. It is possible that estimates made in the financial statements could be materially and adversely impacted as a result of these conditions, including estimates regarding expected credit losses and other than temporary impairment.

# SUPPLEMENTARY SCHEDULES

CSB BANCSHARES, INC. AND SUBSIDIARIES

Schedule I  
Consolidating Balance Sheet  
December 31, 2020

	Citizens State Bank	CSB Delaware, Inc.	CSB Bancshares, Inc.	Elimination Entries	Consolidated Balance
<b>ASSETS</b>					
Cash and due from banks	\$ 13,316,510	\$ 8,310	\$ 71,100	\$ (71,100)	\$ 13,324,820
Interest-bearing deposits in other institutions	10,000,000	-	-	-	10,000,000
Federal funds sold	50,000,000	-	-	-	50,000,000
Cash and cash equivalents	73,316,510	8,310	71,100	(71,100)	73,324,820
Time Deposits	245,000	-	-	-	245,000
Investment debt securities					
Held-to-maturity	10,564,000	-	-	-	10,564,000
Available-for-sale	181,088,934	-	-	-	181,088,934
Total investment debt securities	191,652,934	-	-	-	191,652,934
Investment equity securities at fair value	1,671,483	-	-	-	1,671,483
Loans, net	469,998,385	-	-	-	469,998,385
Investment in subsidiary	-	83,012,074	83,021,066	(166,033,140)	-
Premises and equipment, net	20,319,434	-	-	-	20,319,434
Other real estate owned	1,338,069	-	-	-	1,338,069
Accrued interest receivable	3,296,548	-	-	-	3,296,548
Cash surrender value of life insurance	12,847,145	-	-	-	12,847,145
Deferred tax asset	710,397	-	-	-	710,397
Other assets	936,373	682	4,780	(5,462)	936,373
Total assets	\$776,332,278	\$83,021,066	\$83,096,946	\$(166,109,702)	\$776,340,588
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Deposits					
Non-interest bearing	\$209,239,084	\$ -	\$ -	\$ (71,100)	\$209,167,984
Interest-bearing demand	275,022,853	-	-	-	275,022,853
Savings	65,032,929	-	-	-	65,032,929
Time deposits	137,743,138	-	-	-	137,743,138
Total deposits	687,038,004	-	-	(71,100)	686,966,904
Accrued interest payable	267,052	-	-	-	267,052
Accrued expense and other liabilities	6,015,148	-	682	(5,462)	6,010,368
Total liabilities	693,320,204	-	682	(76,562)	693,244,324
Stockholders' Equity					
Common stock	1,000,000	1,000	600,940	(1,001,000)	600,940
Capital surplus	8,025,000	4,027,000	-	(12,052,000)	-
Retained earnings	70,757,004	75,762,996	83,355,957	(146,520,000)	83,355,957
Accumulated other comprehensive income: unrealized gain on available-for-sale securities	3,230,070	3,230,070	3,230,070	(6,460,140)	3,230,070
	83,012,074	83,021,066	87,186,967	(166,033,140)	87,186,967
Treasury stock	-	-	(4,090,703)	-	(4,090,703)
Total stockholders' equity	83,012,074	83,021,066	83,096,264	(166,033,140)	83,096,264
Total Liabilities and Stockholders' Equity	\$776,332,278	\$83,021,066	\$83,096,946	\$(166,109,702)	\$776,340,588

CSB BANCSHARES, INC. AND SUBSIDIARIES

**Schedule II**  
**Consolidating Statement of Income**  
**For the Year Ended December 31, 2020**

	Citizens State Bank	CSB Delaware, Inc.	CSB Bancshares, Inc.	Elimination Entries	Consolidated Balance
Interest Income					
Interest and fees on loans	\$29,306,414	\$ -	\$ -	\$ -	\$29,306,341
Interest of investment securities					
U.S. Government and Federal Agency	1,396,945	-	-	-	1,396,945
States and political subdivisions	440,004	-	-	-	440,004
Residential mortgage-backed securities	1,149,904	-	-	-	1,149,904
Interest on federal funds sold	113,397	-	-	-	113,397
Other interest income	162,847	-	-	-	162,847
Total interest income	<u>32,569,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,569,511</u>
Interest expense					
Interest-bearing demand deposits	1,478,310	-	-	-	1,478,310
Savings accounts	79,843	-	-	-	79,843
Time deposits	2,345,620	-	-	-	2,345,620
Total interest expense	<u>3,903,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,903,773</u>
Net interest income	28,665,738	-	-	-	28,665,738
Provision for loan losses	<u>1,050,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050,000</u>
Net interest income after provision for possible loan losses	27,615,738	-	-	-	27,615,738
Noninterest income					
Equity in earnings of subsidiary	-	11,154,932	11,152,320	(22,307,252)	-
Service charges on deposit accounts	3,392,725	-	-	-	3,392,725
Other service charges and fees	582,526	-	-	-	582,526
Earnings on cash surrender value of life insurance	358,404	-	-	-	358,404
Other income	133,151	-	-	-	133,151
Total noninterest income	<u>4,466,806</u>	<u>11,154,932</u>	<u>11,152,320</u>	<u>(22,307,252)</u>	<u>4,466,806</u>
Noninterest expenses					
Salaries and employee benefits	10,517,778	-	-	-	10,517,778
Net occupancy expense	1,132,913	-	-	-	1,132,913
Data processing	902,175	-	-	-	902,175
Professional fees	347,566	-	-	-	347,566
Furniture and equipment expense	1,199,904	-	-	-	1,199,904
FDIC assessment	160,000	-	-	-	160,000
Other operating expense	3,888,894	3,294	2,200	-	3,894,388
Total noninterest expenses	<u>18,149,230</u>	<u>3,294</u>	<u>2,200</u>	<u>-</u>	<u>18,154,724</u>
Net income before income taxes	13,933,314	11,151,638	11,150,120	(22,307,252)	13,927,820
Income taxes (benefit)	2,778,382	(682)	(462)	-	2,777,238
Net income	<u>\$11,154,932</u>	<u>\$11,152,320</u>	<u>\$11,150,582</u>	<u>\$(22,307,252)</u>	<u>\$11,150,582</u>