Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Sam H. Burris, Jr.
Name of the Holding Company Director and Official

Chariman, Chief Executive Officer & Director
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

07/30/21
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

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

December 31, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

First National Bancshares of Huntsville, Inc.
Legal Title of Holding Company

P.O. Box 659
(Mailing Address of the Holding Company) Street / P.O. Box

Huntsville	TX	77342-0659
City	State	Zip Code

1300 11th Street, Huntsville, Tx 77340
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

John M. Dowell	Treasurer
Name	Title

936/294-8039
Area Code / Phone Number / Extension

936/295-3907
Area Code / FAX Number

mdowell@fnbhuntsvilletx.bank
E-mail Address

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

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

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 .... [x]
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.

No Subsidiary Holding Companies
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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City State Zip Code

Physical Location (if different from mailing address)

Form FR Y-6

First National Bancshares of Huntsville, Inc.
Huntsville, Texas
Fiscal Year Ending December 31, 2020

Report Item

1: See attached copy.

2a: Organizational Chart

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
LEI: N/A

Huntsville, TX
Incorporated in Texas

100%

FIRST NATIONAL BANK OF HUNTSVILLE
LEI: 254900JOY30UROEAG69

Huntsville, TX
Incorporated in Texas

Results: A list of branches for your depository institution: FIRST NATIONAL BANK OF HUNTSVILLE (ID_RSSD: 583352).
This depository institution is held by FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. (3018958) of HUNTSVILLE, 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)	583352	FIRST NATIONAL BANK OF HUNTSVILLE	1300 11TH STREET	HUNTSVILLE	TX	77340	WALKER	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF HUNTSVILLE	583352	
OK		Full Service	4716345	BRAZOS COUNTY BANK	3971 UNIVERSITY DRIVE EAST	BRYAN	TX	77802	BRAZOS	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF HUNTSVILLE	583352	
OK		Full Service	900959	CROCKETT BRANCH	617 EAST HOUSTON AVENUE	CROCKETT	TX	75835-2194	HOUSTON	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF HUNTSVILLE	583352	
OK		Full Service	3802399	ROBERTSON COUNTY BANK BRANCH	1041 WEST DECHERD STREET	FRANKLIN	TX	77856	ROBERTSON	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF HUNTSVILLE	583352	
OK		Full Service	477554	MADISONVILLE BRANCH	333 NORTH MAY STREET	MADISONVILLE	TX	77864	MADISON	UNITED STATES	Not Required	Not Required	FIRST NATIONAL BANK OF HUNTSVILLE	583352	

Form FR Y-6
First National Bancshares of Huntsville, Inc.
Fiscal Year Ending 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 ending 12-31-2020

(1)(a) **NAME & ADDRESS**	(1)(b) **COUNTRY OF CITIZENSHIP OR INCORPORATION**	(1)(c) **NUMBER AND PERCENTAGE OF BHC VOTING SHARES** [1]
Joseph P. Smyth New York City, NY	USA	136,451 - 17.76% Common Stock [3]
Ferne S. Frosch Huntsville, TX	USA	116,474 - 15.16% Common Stock [4]
Philip H. Smyth New York City, NY	USA	125,839 - 16.38% Common Stock [5]
Janet Smyth New York City, NY	USA	56,696 - 7.38% Common Stock [6]
The Smyth Family New York City, NY	USA	136,451 - 17.76% Common Stock [7]

Securities holders not listed in (3)(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12/31/20

(2)(a) **NAME & ADDRESS**	(2)(b) **COUNTRY OF CITIZENSHIP OR INCORPORATION**	(2)(c) **NUMBER & PERCENTAGE OF EACH CLASS OF VOTING SECURITIES**
None		

(1) Except as otherwise noted, all shares are held by the individual(s) indicated with sole power to vote and dispose of such shares. All percentages are based upon 768,120 shares issued of Texas BHC Stock (766,102 outstanding).

Footnotes (3), (4), (5), (6), and (7) can be found in the confidential volume.

port Item 4 - Insiders

) NAME & ADDRESS		(2) PRINCIPAL OCCUPATION IF OTHER THAN BHC	(3)(a) TITLE WITH BHC	(3)(b) TITLE WITH SUBSIDIARIES	(3)(c) TITLE WITH OTHER BUSINESS & NAME	(4)(a) PERCENTAGE OF BHC VOTING SHARES (1)	(4)(b) PERCENTAGE OF VOTING SHARES IN SUBSIDIARIES	(4)(c) NAMES OF OTHER COMPANIES WITH 25% OR MORE VOTING STOCK
\M H. BURRIS, JR.	Huntsville, TX	Banker	Chairman, CEO and Director	Chairman & CEO of First National Bank of Huntsville	responsive data may be found in the confidential volume	2.368%	N/A	NONE
.MES R. COLEMAN	Huntsville, TX	Banker	President & COO and Director	President and COO of First National Bank of Huntsville	N/A	0.967%	N/A	NONE
:RRY L. PIPES	Crockett, TX	Banker	Director	President, Crockett Bank, a Division of First National Bank of Huntsville	N/A	0.368%	N/A	NONE
JACOB PASCHAL	Huntsville, TX	Attorney	Director	N/A	responsive data may be found in the confidential volume	0.033%	N/A	responsive data may be found in the confidential volume
HILIP SMYTH	New York, NY	Investor	Director	N/A	responsive data may be found in the confidential volume	16.383%	N/A	NONE
\RON N. MURFF	Huntsville, TX	CPA	Director	N/A	responsive data may be found in the confidential volume	0.033%	N/A	responsive data may be found in the confidential volume
BYRON SANDEL	Huntsville, TX	Business Owner Oil & Gas	Director	N/A	responsive data may be found in the confidential volume	0.469%	N/A	responsive data may be found in the confidential volume
TIS OLIPHANT	Huntsville, TX	Landscaping	Director	N/A	responsive data may be found in the confidential volume	0.033%	N/A	responsive data may be found in the confidential volume
HOMAS GIBBS GEE, JR.	Katy, TX	Entrepreneur/Developer	Director	N/A	responsive data may be found in the confidential volume	0.644%	N/A	responsive data may be found in the confidential volume
.MES R. HODGES	Huntsville, Tx	Business Owner	Director	N/A	responsive data may be found in the confidential volume	0.033%	N/A	responsive data may be found in the confidential volume
)HN M. DOWELL	Huntsville, TX	Banker	Treasurer	Senior Vice President of First National Bank of Huntsville	None	0.000%	N/A	None
)SEPH SMYTH	New York, NY	Investor	Principal securities holder	N/A	None	17.764%	N/A	None
.NET SMYTH	New York, NY	Investor	Principal securities holder	N/A	None	7.381%	N/A	None
:RNE S. FROSCH	Huntsville, TX	Investor	Principal securities holder	N/A	None	15.164%	N/A	None

l) Except as otherwise noted, all shares are held by the individual(s) indicated with sole power to vote and dispose of such shares. All percentages are ed upon 768,120 shares of First National Bancshares of Huntsville, Inc. issued (766,102 shares outstanding).

CELEBRATING 130 YEARS OF OUTSTANDING COMMUNITY BANKING

FIRST NATIONAL
BANCSHARES OF
HUNTSVILLE, INC.

April 15, 2021

To Our Stockholders,

On behalf of the Board of Directors, it is my pleasure to report to you regarding the status of your company for the year ended December 31, 2020.

This was an interesting year to say the least. Banking is considered an essential business. Our staff worked through and around personal and family illness, children at home, masks, shields, Zoom meetings, quarantines, and other unusual circumstances. Many thanks to all of our terrific staff members for their dedication.

We lost some dear friends and customers in 2020 due to COVID-19 and or complications therefrom. To their families and friends, we send our deepest condolences.

Your company played a major role within our trade territories in terms of the volume of Payroll Protection Act (PPP) loans we funded in 2020. Many businesses benefited and many jobs were saved. There is really nothing like a locally owned community bank.

In response to the effects of the pandemic on the economy, the Federal Reserve Bank flooded the banking system with liquidity in 2020. On our balance sheet this caused an increase in our deposits and our cash and due from bank balances. The injection of money into the banking system was accomplished through the purchase of investment securities by the Fed, greatly reducing the supply available for purchase by banks which resulted in a drop in our total investment securities. Outstanding loans also declined due to decreased loan demand coupled with paydowns from the excess liquidity within the system.

The increase in the money supply caused interest rates to decline swiftly and dramatically which caused a decline in interest on earning assets and net interest income. As a result, net income decreased from 2019 to 2020. This has continued into 2021 and we look for it to become more pronounced over the course of this year.

There were two retirements from your Board of Directors in 2020. Mr. Fred Henson served on a number of board committees and the Executive Committee, and he chaired the Trust Investment Committee. Mr. Henson served as a director for approximately 16 years. Mr. Jerry West capably served as President of The Bank of Madisonville and as a Director of the company for approximately 13 years. We appreciate the many contributions made to our company and the bank by Mr. Henson and Mr. West who served with honor and distinction, and this annual report is dedicated to them.

Two new members were added to the Board of Directors of the company and bank in 2020. Mr. Jim Hodges, a local businessman, and Mr. Jacob Paschal, a local attorney, were elected at our annual meeting in May 2020. We are fortunate to have Mr. Hodges and Mr. Paschal serving on our boards.

Mr. Jason Bienski, a realtor and real estate investor and former Mayor of Bryan, Texas, was elected as an advisory director of the company and bank in September 2020. We are fortunate to have Mr. Bienski on our boards and he has been proposed for election as a full board member to the boards of the company and bank at our stockholders meeting.

The pandemic and measures taken to combat the economic effects of it continue to impact the operation and financial performance of the bank but as you know the vaccines are available and we are making progress towards a return to better times. The condition of the company remains sound. We are indeed fortunate to have loyal customers and dedicated and capable employees. We look forward to the future of the bank and the communities we serve with optimism and enthusiasm. We are deeply grateful to you, our stockholders, for your support and patronage.

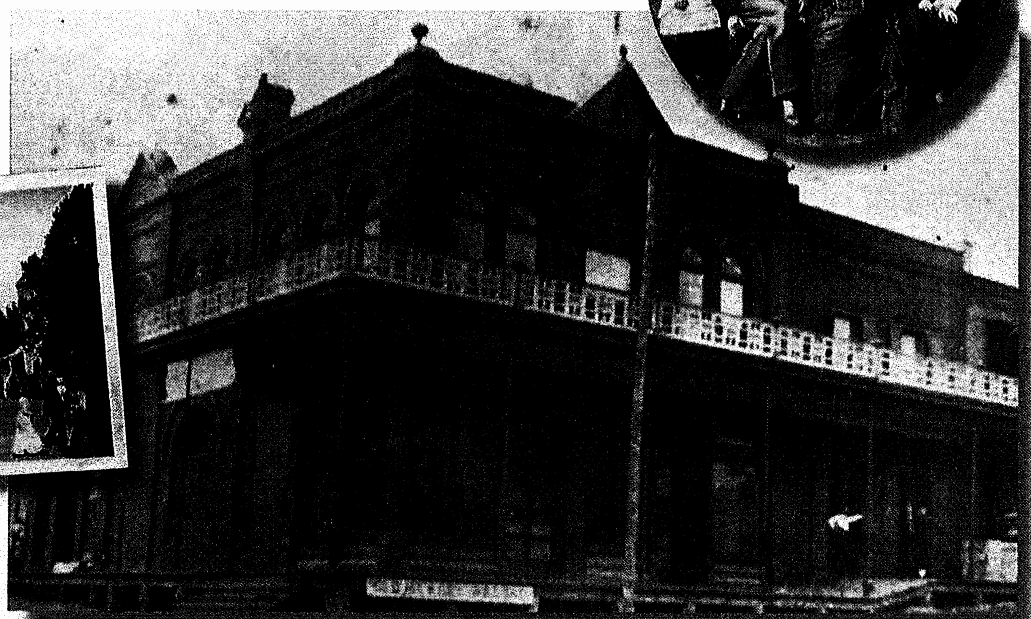
Sincerely,

Sam H. Burris, Jr.
Chairman of the Board & Chief Executive Officer

Strong Branches.

Sandford & Sallie Gibbs and family

Downtown Huntsville with bank in background



Gibbs National Bank 1890, northeast corner of 11th Street and Sam Houston Ave

On January 14, 1890, Gibbs National Bank—now First National Bank of Huntsville—opened its doors for business.

Prior to 1890, the Gibbs family had provided banking services to the citizens of Huntsville through the family mercantile business, which opened in 1841. This practice of "private banking" was common at the time, and largely consisted of safeguarding valuables in the store's vault or carrying promissory notes from customers who repaid the note when their crop was harvested.

By the late 1880s, the Gibbs family ventured forth and acquired a national bank charter, naming the bank in honor of Sandford Gibbs. Located on the square in Huntsville at Cedar and Jackson streets—now known as the corner of 11th Street and Sam Houston Avenue—the bank opened directly next door to the mercantile store. Wilbourn Smith Gibbs was the first president, and the Gibbs National Bank was born in 1890.

A rare look inside the Gibbs Brothers mercantile store

First National Bank
OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

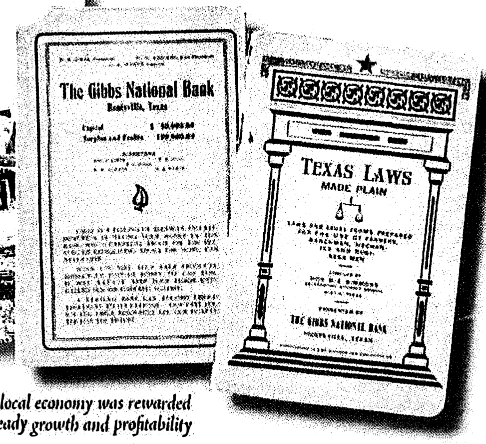
- Sallie Gibbs—widow of Sandford Gibbs—was one of the founders of the bank. However, because it was considered improper for a woman to lead a business, she installed her two sons as the bank's managers and ran the bank out of the public eye.
- General Sam Houston traded regularly in the Gibbs store and thought so highly of Thomas Gibbs that he named him as an executor of his will.
- The bank was capitalized with $50,000: 500 shares of stock issued at $100 per share.
- In the words of Sallie's son Wilbourn, the bank practiced "conservativeness tempered with liberal treatment of worthy patrons and legitimate help to legitimate local enterprises."

Deep Roots. Strong Branches. 130 Years Strong.

Member FDIC

Photos provided courtesy of Walker County Historical Commission

Gibbs National Bank in 1908



Support of the local economy was rewarded by steady growth and profitability

In 1900, Gibbs National Bank began its second decade by entering a new century of service.

The bank was successful from its earliest days, marked by strong growth and steady income. In fact, the bank routinely paid substantial dividends. The president of the bank, W.S. Gibbs, designed the bank to be a strong citizen of Huntsville by promoting healthy economic development throughout the community, while consistently practicing conservative banking ideals. The rewards for the bank's cautious lending policies came in 1907. In the midst of a national financial collapse, triggered by a dramatic 50% fall in the NYSE and subsequent "run" on banks across the country, the Gibbs National Bank not only weathered the panic, but was able to respond to all requests for cash made of the bank. During such times of economic hardships, the bank was able to advance lines of credit and provide low-interest, long-term loans to various state institutions when no money was forthcoming from the state.

In further response to the Panic of 1907, the bank also temporarily eased its lending policies to provide increased assistance for struggling farmers. The additional loans permitted farmers to hold their cotton until prices improved. Not only did the directors of the bank advance credit to their regular customers, but they also did so with farmers who had not previously done any business with the bank. It was not in Huntsville's best interest to permit its citizens to suffer prolonged financial hardships, and the advancement of these loans showed compassion for the economic welfare of the inhabitants of Walker County.

Inside the bank lobby

In front of the mercantile store, next door to the bank

INTERESTING FACTS ABOUT HUNTSVILLE:

- In 1905, Miss Bertha Kirkley, a history teacher at Sam Houston Normal Institute, began a movement to restore General Sam Houston's home and grounds. With community support, his law office and home were acquired and relocated to their original site. The home was purchased with the aid of a loan from local banker W.S. Gibbs.
- In 1907, Samuel W. Houston—a prominent African-American educator and son of Joshua Houston—founded Galilee Community School, one of the first county training schools for black children in Texas. It was later incorporated into Huntsville ISD.

Photos provided courtesy of Walker County Historical Commission

Strong Branches.

Sallie Gibbs

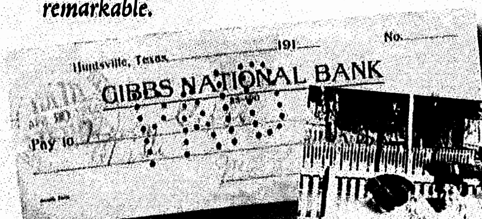
Gibbs National Bank, northeast corner of 11th Street and Sam Houston Ave. The first streets were paved in 1918.

First Christian Church's Children's Choir in the yard of the J.W. Oliphint home at 11th Street and Ave. M, where the bank is currently located. The Gibbs-Powell House is in the background.

By 1910, Gibbs National Bank was thriving. Since opening 20 years earlier, the bank had accrued considerable earnings and in 1910 was able to pay its largest dividend ever. This feat was especially remarkable considering the bank had originally opened with deposits of $6,283.35, loans of $30.00, and a first-day profit of $1.00.

In 1914, World War I—the "war to end all wars"—began. As the country experienced an economic war-time boom, local farmers saw record prices for their cotton, receiving over 20 cents per pound. But prosperity was tempered by the reality of military service. Dr. J. Phillips Gibbs, younger brother of bank president W. S. Gibbs, served from 1917-1919. He was commissioned as captain and served overseas as part of the American Expeditionary Force.

This decade also saw the beginning of change for the bank. In 1917, Sallie Gibbs retired. By the time of her death in 1918, she had grown the family's landholdings considerably, and the bank was in solid financial condition. Her vision was truly remarkable.



Check from 1914

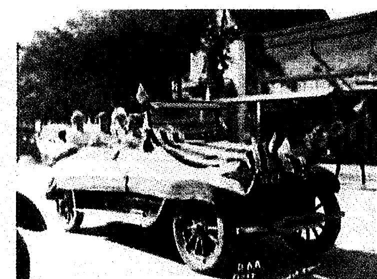
Ladies in 1916, sitting where the bank's flagpoles are currently located. The former Walker County Courthouse is in the background.

INTERESTING FACTS ABOUT HUNTSVILLE:

- Sam Houston monument was erected in Oakwood Cemetery in 1911. On monument is a quote from President Andrew Jackson, "The World Will Take Care of Houston's Fame."
- In 1911, the first women's prison unit opened on Goree Prison Farm.
- Silent motion pictures were showing at Henry Opera House—which also hosted traveling musicians, magicians, theatrical acts, and other entertainers.

Photos provided courtesy of Walker County Historical Commission

"Old Main" as seen in 1922 and from an aerial shot of Sam Houston State Teachers College



Daughters of the American Revolution parade float, 1925—the decade women won the right to vote

The 1920s were a decade of change for Gibbs National Bank.

The decade was led by a name change. Through careful stewardship of resources, the bank had developed a strong financial foundation and served customers throughout the area. To recognize its role as a community bank, the bank's name was changed in January 1923 to the First National Bank of Huntsville—a name that remains unchanged today.

An additional change that reinforced the bank's role as a strong community citizen was the issuance of stock that was sold to the general public. This move gave local citizens a stake in their bank—the bank they relied on as a safe place for deposits a source for prudent

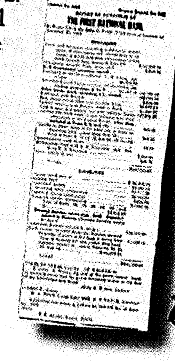
First National Bank of Huntsville's role as a stable, community bank would prove to be particularly important given the broader state of the country's economy. The Roaring '20s were a time of wealth, excess and financial speculation. The average value of stocks quadrupled from 1920 – 1929, and many banks—eager to capture the bubble—invested heavily with customer deposits. When "Black Tuesday" hit in October 1929, stock prices plummeted and the Great Depression era began.

Gibbs Brothers office 1929

First National Bank OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

- In 1923, Sam Houston Normal Institute changed its name to Sam Houston State Teachers College. In 1925, it was admitted to membership in the Southern Association of Colleges and Schools as an accredited institution of higher learning.
- In 1925, the Huntsville Fire Department was organized. Less than two weeks later, the newly-formed department fought its first fire.
- In 1926, Ella Smither donated her home on Ave. O for the establishment of Huntsville Memorial Hospital, which was chartered in 1927 as a memorial honoring the soldiers of World War I.



Bank Statement of Condition as of December 31, 1927

Deep Roots. Strong Branches. 130 Years Strong.

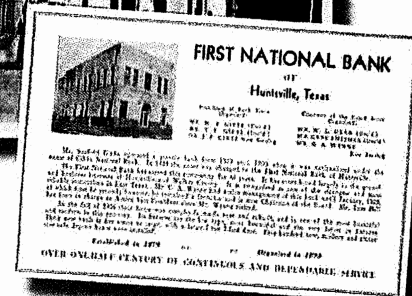
Member FDIC

Photos provided courtesy of Walker County Historical Commission

Texas Prison Rodeo, 1935

Newly remodeled First National Bank of Huntsville

First Lady Eleanor Roosevelt during her visit to Huntsville, 1937



FIRST NATIONAL BANK
of
Huntsville, Texas

OVER ONE-HALF CENTURY OF CONTINUOUS AND DEPENDABLE SERVICE

Bank ad in Walker County Chamber of Commerce directory, 1938

The decade of the 1930s began with the Great Depression. And banking changed forever.

For many banks, the 1930s were a decade of survival. Over half of the country's 15,000 banks—9,000 in all—failed. Customer confidence was at an all-time low, and deposit security was uppermost in everyone's mind. In 1932, the interest rate on US Treasury bills was negative, because customers were willing to take a loss if they knew their money was safe.

To bring equilibrium and safety to the industry, new laws and regulations were enacted. The Banking Act of 1933 established federal deposit insurance, protecting customer deposits up to $5,000. The Securities and Exchange Commissions, formed in 1934, regulated publicly held companies. And for the first time, banks were allowed to have "branches," if allowed by state banking laws. Texas chose not to permit branches at this time.

Despite challenging economic times, First National Bank of Huntsville continued to be a strong community bank. It joined the FDIC in 1934. In 1936, the bank remodeled, installing a new seven-ton vault with a seven-foot door and adding 500 safe deposit boxes. And in 1939, bank deposits exceeded $1 million for the first time.

As the decade drew to a close, the bank's holiday message stated, "We thank you for your confidence and cooperation during 1939....For the new year, we resolve to continue our policy of providing helpful financial services geared to your needs." And its tagline: "A half century of dependable service."

Emancipation Band and Park Association, 1931

First National Bank OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

- The Texas Prison Rodeo began in 1931, garnering international acclaim. Billed as "The Wildest Prison Rodeo Behind Bars," entertainers through the years have included Johnny Cash and John Wayne.
- In 1936, The Sam Houston Memorial Museum was constructed as a Centennial project funded by the Texas Centennial Commission.
- First Lady Eleanor Roosevelt visited Huntsville on March 7, 1937. Speaking to an audience of over 2,000 at Sam Houston State Teachers College on "The Problems of Youth," her lecture was the first time in the history of the United States that a state normal college was addressed by the wife of a president.
- In 1938, Huntsville State Park opened. Required to donate land for the park, the city issued $20,000 in bonds to purchase the 2,000-acre site. Following a disastrous flood in 1940, the park was closed to the public, opening again in 1956.

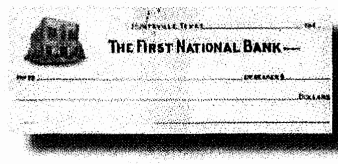
Photos provided courtesy of Walker County Historical Commission and Texas State Library and Archives Commission

Interior of bank

Life Theater

WWII Infantry Division

Homecoming parade 1949



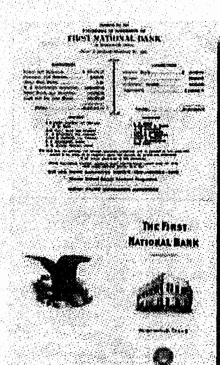
The decade of the 1940s began with a celebration for First National Bank of Huntsville: the bank reached its 50th anniversary.

To honor the event, friends and patrons were invited to an Open House on February 15, 1940. With the economy on the rise and the effects of the Great Depression becoming history, the bank looked forward to continuing its role in the country's recovery.

Then in 1941, the US entered World War II. With the "greatest generation" quickly coming of age, young men left the farm or college to serve overseas. Women entered the workforce to fill much-needed roles on factory lines. And Prisoners of War—including those in Huntsville—labored to harvest crops on farms that no longer had available workers.

The economic impact of the war was significant, both locally and throughout the country. GNP soared 75% from 1941 – 1945, led by federal spending on wartime efforts. Bank assets nationwide doubled, and First National Bank of Huntsville's deposits tripled, passing $3 million.

When the war ended in 1945, a post-war economic and housing boom began. With its strong financial base, the bank was in a prime position to support the community as it entered a new era of prosperity.



Statement of condition, December 31, 1945

Bank deposit bag

50th Anniversary Open House invitation

First National Bank OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

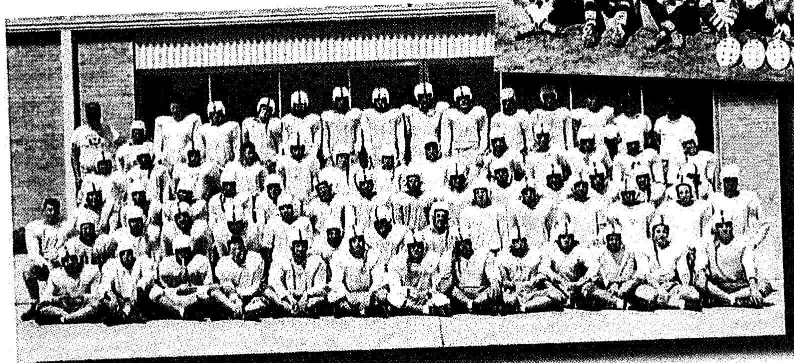
- The Life Theater, which operated from 1941 – 1980, was a hotspot in downtown Huntsville. In September 1949, freshmen at Sam Houston State Teachers College were given a free pass to see "The Girl From Jones Beach," starring Ronald Reagan.
- From 1942 – 1946, the US Army operated a POW camp outside of Huntsville. Built to accommodate 4800 prisoners, the camp housed Germans from 1943 – 1945 and during its final months was one of the few camps to house Japanese prisoners. By the end of the decade, the POW Camp was transformed into student housing for SHSTC and is known as Country Campus.
- The City of Huntsville installed the town's first parking meters in 1949, charging 1 penny for 24 minutes or a nickel for 2 hours.
- Nearly 2300 students enrolled for classes at Sam Houston State Teachers College for the fall semester 1949. For the first time, freshmen ("fish") were required to wear orange-and-white beanies until Homecoming in October.

Deep Roots. Strong Branches. 130 Years Strong.

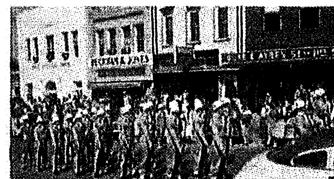
Photos provided courtesy of Walker County Historical Commission

Strong Branches.

The Tigers: Sam Houston High School football team, 1950s



The Hornets: Huntsville High School football team, 1955



Downtown Huntsville parade, with bank in background

The 1950s were a booming time of change.

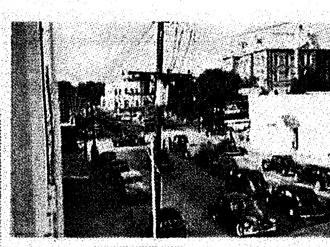
The frugality and somber spirit that led the country to victory overseas gave way to a prosperity unimaginable a decade earlier. On The Ed Sullivan Show, Elvis Presley delighted teens and appalled their parents. Sam Cooke, Ella Fitzgerald and Pat Boone filled the radio waves. The space race began. And more babies were born than at any other time in history.

Consumer banking during this post-war economy grew exponentially. The number of savings accounts increased 33%, mortgages increased 290%, and consumer installment loans increased 850%.

Also this decade, customers shifted from cash to writing checks, and millions of checks flowed through the banking system daily. Every check was handled entirely by hand, with the only identifying information being the signature that had to be manually compared to a signature card. The solution to the enormous pressure this created—unveiled after a five-year development—was the first electronic recording machine, using MICR [magnetic-ink character recognition]—technology still in use today.

First National Bank of Huntsville, like community banks across the country, adjusted to the new demand but—with lingering lessons of the Great Depression—retained safety and soundness as its first core value. By the end of the decade, the bank was outgrowing its space. Business was good, the economy was prospering, and change was again in the air.

Huntsville Volunteer Fire Department in front of Sam Houston Museum.



Downtown Huntsville, with bank in background

First National Bank OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

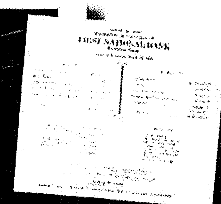
- In 1951, coaches Johnnie Roberts and Percy Howard led the SHHS Tigers to the State Football Championship. In the same year, the school's basketball team, under coaches Johnnie Roberts and Lincoln Rolling, won the State Basketball Championship.
- In 1953, the Huntsville High School Hornets, led by coach Mance Park and quarterback Joe Clements, were the only football team in Texas to go undefeated, winning the 2A State Championship. Life Magazine featured HHS in its March issue with a cover story titled "A Pictorial Year of Huntsville High School Life." In 1980, Clements again led the school to a state championship, this time as team coach.
- Johnny Cash's first prison concert was in Huntsville in 1957, a tradition for which he became famous.
- In 1958, the Sam Houston Memorial Museum expanded, adding north and west wings to the building.

1950

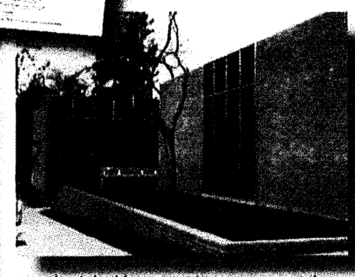
Photos provided courtesy of Walker County Historical Commission

Board members 1962:
W.T. Robinson, Chairman
Tom Ball, Senior Chairman
Nat Davis, Jr., President

The Walker County Courthouse burned on December 24, 1968, and was replaced in 1969 – 1970 by the current building



Statement of Condition, April 12, 1961



New bank building on 11th Street, 1962. The Huntsville Police Department now occupies this site.

Following a decade of calm prosperity, the 1960s exploded.

Woodstock, the Beatles, Civil Rights, Vietnam, JFK, MLK Jr.—headlines roiled with historic change. Parents fretted their teens would become bell-bottomed, long-haired "hippies," and a controversial children's book, "Where the Wild Things Are," won the Caldecott Medal.

Huntsville also had an eventful decade, although it was marked by success rather than contention. In 1961 Interstate 45 opened, generating new expansion and prosperity. By the early 60s, First National Bank of Huntsville had outgrown its original location and, for the first time since its founding 70 years earlier, moved to a new building. Over 3,000 people attended the Grand Opening in July 1962. The building, which won a prestigious architecture award, boasted a first: a drive-in window, operated by two tellers. Transactions were couriered underground in suction tubes and customers and tellers viewed each other via two-way television screens. In 1964, the bank added a Trust Department, which continues to provide Trust services today.

In 1962, Tripod—a stray dog who limped into the hearts of many and onto the SHSU campus 14 years earlier—passed away. Known throughout the town, he roamed at will, accompanying marching bands on the football field, lounging in classrooms, and sleeping and dining in various dorm rooms. The day of his funeral, classes were canceled and he was buried on the campus in front of Old Main.

Tripod, beloved unofficial mascot of SHSU

Tripod may have had limited use of a leg, but US astronauts did not. The decade ended with the now famous words, broadcast to over 1 billion people: "One small step for [a] man, one giant leap for mankind."

First National Bank OF HUNTSVILLE

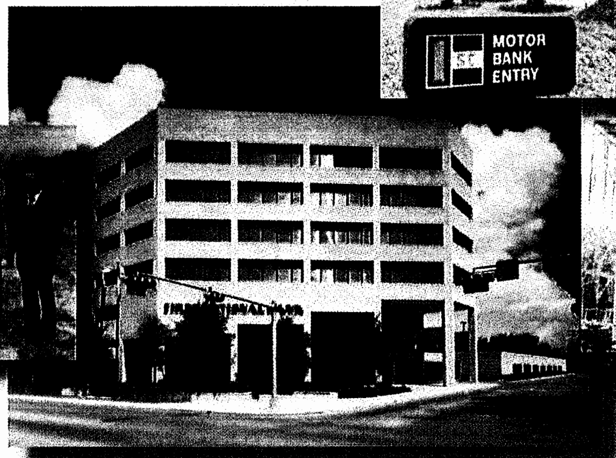
INTERESTING FACTS ABOUT HUNTSVILLE:

- In 1964, the Texas State Prison retired "Old Sparky", the electric chair that had been in use since 1924. The chair is now on display at the Texas Prison Museum in Huntsville.
- In 1965, Sam Houston State Teachers College became Sam Houston State College and in 1969 became Sam Houston State University. During the latter half of the 60s, the university developed its criminal justice program, which today is one of the strongest in the country.
- In 1967, a new 7,000 square foot public library was opened after an extensive two-year campaign led by Friends for a Huntsville Public Library, a group of 1,600 local citizens.
- In 1969, Boettcher's Mill closed after being in business since 1898. From the time the mill relocated in 1929, it had a significant impact on the area economy and included a thriving Hispanic community, settled by families who migrated to Texas at the time of the Mexican Revolution. The land was annexed by the city of Huntsville in 1984.

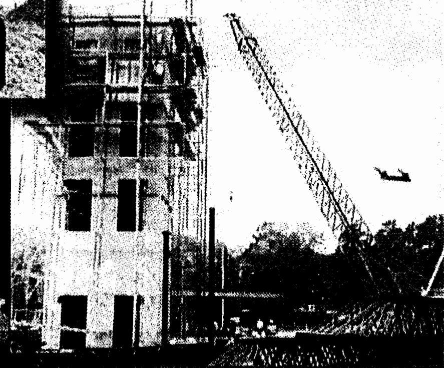
Strong Branches.

A new seven-lane Motor Bank opened in 1977.

Groundbreaking for the new bank building in 1976



The new First National Bank Building, completed in 1977, located on the corner of 11th Street and Avenue M.



Construction of the new multi-level building

First National Bank OF HUNTSVILLE

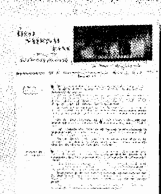
The 1970s were a decade of contradiction.

The same 10 years that birthed the music of Janis Joplin and Jimmy Hendrix, plus the blockbuster movie "Jaws", also gave us inflation, two energy crises and a nation divided about the War in Vietnam.

First National Bank of Huntsville navigated the contradictory waters with success, and the bank enjoyed considerable growth. The building that was barely 10 years old was quickly outgrown, and in 1976 the bank broke ground to move to its third location. This new building—with six floors—towered above the horizon and gave the bank long-term room to grow. In addition, the drive-thru was relocated and expanded to seven lanes—the largest motor bank in the Huntsville area. An open house was held in the spacious new lobby, as the bank celebrated the opportunity to continue serving customers with expanded services.

The bank's massive vault door was moved to the new location.

Huntsville was in the national spotlight several times during the decade. Most notoriously, in 1974 the city endured an eleven-day prison uprising, dubbed "The Carrasco Siege" by the national media. It was one of the longest hostage-taking sieges in US history. On a positive note, the SHSU men's basketball team was undefeated during their regular season in 1972-1973, and ranked #1 in the country in NAIA basketball. Huntsville High School had their own media darlings: the HHS Twirlers were featured in the 1978 December edition of Time Magazine. By the end of the decade, disco was declared dead, and the nation rolled into the 1980s humming a new tune full of optimism.



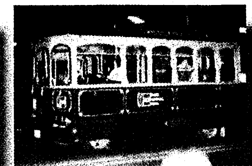
The bank published a newsletter providing economic and financial guidance for Huntsville citizens.

INTERESTING FACTS ABOUT HUNTSVILLE:

- In 1970, The Huntsville Item published a paper on Mondays and Thursdays; by 1977, it was publishing a paper five days a week.
- In 1974, the Sam Houston Memorial Museum was declared a National Historic Landmark by the US Department of the Interior and placed on the National Register of Historic Places.
- The mighty HHS Hornets boys basketball team won back-to-back State 3A championships during the 1977-78 and 1978-1979 seasons.
- The Walker County Fair Association was organized in May 1978. Legend has it that Buddy Smith and Sidney Grisham flipped a coin and the one who lost the toss would become the first president. President Buddy Smith kicked off the first WCFA in March of 1979, located on Hwy 75 N. Several years later, the WCFA purchased its permanent home on Hwy 30, and continues to grow each year. The WCFA motto "An Investment In Youth Through Community Involvement" has remained true throughout the years.
- In 1979, Huntsville & Walker County dedicated a new three-story, 144-bed hospital building, known as Huntsville Memorial Hospital. Babies born in December were sent home in bright red felt "stockings", made by the ladies of the Hospital Auxiliary.

Photos provided courtesy of Walker County Historical Commission

Participants in the bank's Annual Lu Ellen Gibbs Invitational golf tournament. Mrs. Gibbs is shown third from left, and SHSU Golf Coach Ronnie Choate is second from right.



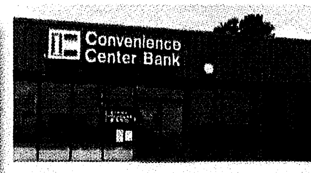
The bank operated a trolley to transport customers during special events.

"Old Main" after the devastating fire of 1982

First National Bank of Huntsville passed several significant milestones during the 1980s.

In 1981, new technology arrived in town when the bank installed Huntsville's first Automated Teller Machine—an ATM. Other highlights of the decade include two new banks chartered and opened by FNB: The First National Bank-South on S. Sam Houston and First Madisonville National Bank. Additionally, FNB opened the Convenience Center—the first branch banking facility in the state of Texas.

The First National Bank-South, 1984



FNB opened the first branch banking facility in Texas.

For the first time this decade, the bank reached $100 million in assets—a feat that would have amazed its founders 90 years earlier. On the heels of this milestone, however, came a national crisis in the banking industry unmatched since the Great Depression. Over 1600 banks failed, with nearly one third of those in Texas. Despite the crisis, First National Bank of Huntsville maintained its focus on strong local banking and customer service—even opening "Motor Park" in 1986, a drive-thru to serve commercial customers with large deposits.

The bank continued its community leadership role this decade. In 1987 the bank launched a golf tournament: The Annual Lu Ellen Gibbs Invitational, benefitting the SHSU golf program. The tournament continues today, known as The First National Bank of Huntsville Masters Challenge, with proceeds benefitting the Lu Ellen Gibbs Golf Endowment at SHSU.

The 1980s created indelible images: the Challenger space shuttle, ET, the fall of the Berlin Wall, the excesses of 'Dynasty' and 'Dallas'. As the decade ended, images would soon be shared over an international network: the World Wide Web. And banking over this same network wouldn't be far behind.

First National Bank OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

- In 1980, the first graduating class crossed the stage at the new Huntsville High School.
- In 1982, "Old Main" burned on the campus of SHSU. Constructed using a $40,000 appropriation from the Texas Legislature, the original cornerstone for this landmark building was laid in 1889. Old Main Memorial was dedicated in 1987.
- In 1986, Bearkat Stadium (later renamed Bowers Stadium) opened, with seating capacity of 14,000. The first home game in the new stadium was a decisive 23-6 win over Montana State.
- In 1989, the Texas Prison Museum opened, with a mission to "collect, preserve and showcase the history and culture of the Texas prison system."

In 1982, the bank celebrated reaching $100 million in assets.

Deep Roots. Strong Branches. 130 Years Strong.

Photos provided courtesy of Walker County Historical Commission

"Big Sam" is a 67-foot tall local landmark visible for miles along I-45.

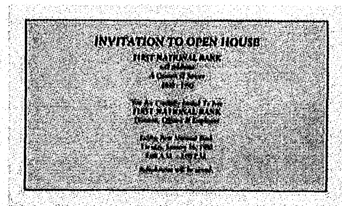
The "Wall of Faces"—located at the Samuel W. Houston Museum and Cultural Center—is a moving tribute to African American heritage.

Crockett Bank has been part of the First National Bank of Huntsville family since 1997.

First National Bank OF HUNTSVILLE

First National Bank of Huntsville turned 100 in January, 1990.

This milestone was significant, given the turmoil of the previous century: WWI & II, the Great Depression, unbridled inflation and skyrocketing interest rates. But through the decades, First National Bank of Huntsville persevered, and the first century of service celebrated in 1990 affirmed its role as Huntsville's leading community bank.

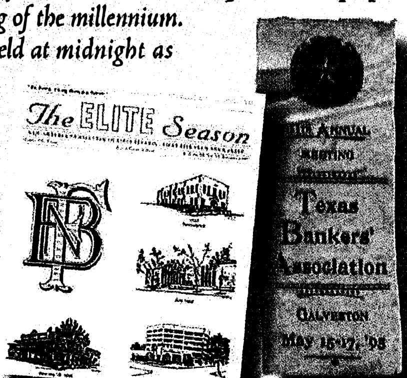

INVITATION TO OPEN HOUSE

FIRST NATIONAL BANK

Open House invitation for 100th year celebration

The Huntsville population served by the bank expanded broadly during its first 100 years—from 1,590 people in 1890 to nearly 28,000 in 1990. The bank also expanded its service outside of Walker County with the acquisition of Crockett State Bank in 1997. Operating as Crockett Bank, this division of First National Bank of Huntsville gives the citizens of Houston County access to broad banking capabilities, with the local service of a community bank.

The latter half of the decade focused on preparing for Y2K. With banking systems throughout the world dependent on sophisticated technology, extraordinary resources were required to prepare adequately for the turning of the millennium. A collective breath was held at midnight as January 1, 2000 approached—and a sigh of relief followed as business continued into 2000 without interruption.



INTERESTING FACTS ABOUT HUNTSVILLE:

- The bicentennial celebration of Sam Houston's 200th birthday was held in March 1993. Among the attendees were Texas Governor Ann Richards, U.S. Senator Phil Gramm, Chief Wilma Mankiller of the Cherokee Nation, and CBS newsman Dan Rather.
- In 1994, "A Tribute to Courage"—the 67-foot tall statue of Sam Houston fondly known as "Big Sam"—was erected. Created by Huntsville native and internationally renowned artist David Adickes, the statue is the world's largest of an American hero. It is visible along I-45 for more than six miles.
- In 1994, the HEARTS Veterans Museum of Texas was founded to honor the service of American veterans. What began as a grassroots traveling exhibition flourished, and in 2009 the museum dedicated a permanent museum building.
- In 1995, "The Dreamers" was completed. Celebrating the contributions made by African American citizens, the sculpture is 5 feet high, 20 feet long, and depicts the faces of 69 local citizens—senior adults on the top row, middle-aged adults in the middle, and children and youth on the bottom row. "The Wall of Faces," as it is also known, is located at the former Samuel W. Houston secondary school, which now houses the Samuel Walker Houston Museum and Cultural Center.

Strong Branches.

First National Bank of Huntsville is proud to support the 4-H and FFA exhibitors at the Walker County Fair. In 2008, the bank purchased both the Grand and Reserve Champion commercial heifers.

The bank dedicated The Blalock Room in 2007. Mrs. Winona Blalock is shown second from left.

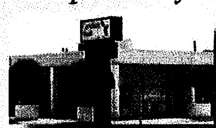
The Blatchley Bell Tower at SHSU, dedicated in 2005

West Branch serves customers west of I-45 in Huntsville.

The decade of the 2000s was a time of significant growth for First National Bank of Huntsville.

In 2000, as the bank reached its 110th year of service, it surpassed $200 million in assets. It reached a second milestone in 2008, passing $300 million in assets. The growth in assets was accompanied by branch expansion. The West branch was relocated to better serve customers on the west side of Huntsville. In 2004, the bank began serving Madison County with the acquisition of The National Bank of Madisonville, which operates as The Bank of Madisonville, a division of First National Bank of Huntsville. In 2008, the bank founded Robertson County Bank in Franklin, which also operates as a division. Along with expansion, the bank continued to support local charitable organizations, giving over $600,000—helping create a better future for our communities.

Technology expanded rapidly this decade, with customers embracing the convenience of electronic services. For the first time, debit card use surpassed check writing. Customers could begin receiving monthly statements and paying bills electronically, and mobile banking on cell phones was introduced. Along with the capabilities of these services, the bank also faithfully maintained its emphasis on personal customer service—a tradition that technology cannot replace. The bank dedicated The Blalock Room in 2007, honoring Dr. Raymond B. Blalock who served on the bank's Board of Directors for 32 years, 12 of those as Chairman.



Crockett Bank has been part of the First National Bank of Huntsville family since 1997.

The Bank of Madisonville, a division of First National Bank of Huntsville since 2004

Robertson County Bank, opened 2008

Along with other businesses in our communities, First National Bank of Huntsville mourned the tragedy of 9/11/01 and supported US troops that subsequently entered war. Our banks proudly fly the US flag and are deeply appreciative of the sacrifice so many have made for our freedom.

First National Bank OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

- In 2001, Huntsville was named a Main Street City by the Texas Historical Commission, which administers the program. The Main Street Program is a 30-year-old national movement to revitalize community downtowns, "places of shared memory where people still come to live, work and play."
- In the 2000s, Sam Houston State University completed a large number of construction projects involving significant university facilities. Among these were the Visitor and Alumni Center in 2005, University Plaza in 2007, and the College of Humanities and Social Sciences in 2009. The bank sponsored a high-tech banking classroom, as well as a classroom in the Smith-Hutson Business Administration Building in honor of Ed Sandhop who served for many years on the bank's Board of Directors.
- The Blatchley Bell Tower at SHSU was completed in 2005. The tower bells play music each hour, ranging from classical to seasonal to the school's Alma Mater and Bearkat Fight Song. The tower is 65-feet tall, almost as tall as the 67-foot Sam Houston statue on I-45.
- On Veteran's Day—November 11, 2009 —a grand opening for the HEARTS Veterans Museum was held. Over $2 million was raised to construct the facility on 5 acres donated by the State of Texas, and nearly 700 veterans and dignitaries attended the ceremony.

Deep Roots. Strong Branches. 130 Years Strong.

Member FDIC

Photos provided courtesy of Walker County Historical Commission

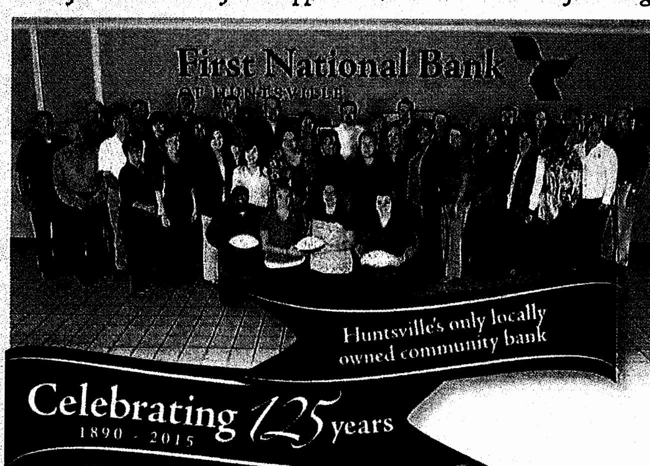
Breaking ground for Brazos County Bank.

In 2010 we reached another milestone: our 120th year in service.

The First National Bank Building, completed in 1977, located on the corner of 11th Street and Avenue M.

The same year, we surpassed $389 million in assets. With expansion on the horizon, in 2011 we opened a Loan Production Office in Bryan/College Station. By 2014, the LPO had relocated to new space and officially become Brazos County Bank, a full-service bank branch serving the Brazos County community. BCB expanded rapidly, and in the summer of 2017, we broke ground for a new bank building located on University Drive in Bryan. By June 2018, Brazos County Bank was open for business.

The tradition of giving back to our communities continued to thrive, with bank employees serving organizations such as The Boys & Girls Club, The Lions Club, The Kiwanis Club, The Rotary Club, various Hospital Boards and Chamber of Commerce Boards. We also taught Financial Literacy to high school students and adults in our communities. When the Huntsville Public Library underwent an extensive renovation in 2012, the bank funded 100% of the approved $3.5 million bond financing.



First National Bank OF HUNTSVILLE

INTERESTING FACTS ABOUT HUNTSVILLE:

- In March 2010, Walker County was honored as a "Preserve America Community"—one of only 21 communities to receive the award this year. The designation is for the rich history and many preservation efforts of the community, and the efforts not only strengthen Walker County but the country as a whole.
- In July 2010, a new performing arts center was completed at SHSU. In August, the Board of Regents for the Texas State University System announced that the center would be named the James and Nancy Gaertner Performing Arts Center in honor of outgoing President Dr. Gaertner and his wife, Nancy, for their support and service to the university.
- In July 2010, the City of Huntsville observed its 175th Birthday. A celebration and parade, complete with period costumes, were held on the Square in downtown Huntsville.
- In July 2010, Dr. Dana Gibson was named president of SHSU. Serving previously as the university's vice president for finance and operations, she is SHSU's 13th president and the first female to serve in the position. Her formal investiture was held in March 2011.

2010

Strong Branches.

Board of Directors

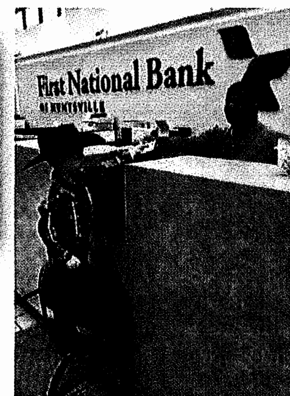
Front Row: Jerry L. Pipes, J. Byron Sandel, Thomas Gibbs Gee, Jr., Karon Murff, Philip H. Smyth, Jacob Paschal
Back Row: Otis Oliphant, James R. Coleman, Sam H. Burris, Jr., Jim Hodges, Jason Bienski

Advisory Board

From L-R: Randy Rhodes, Greg McBee, Lance Lindsey, Walter H. Bennett, Jr. & John Sanders

We look forward to serving customers for many years to come.

First National Bank of Huntsville is looking forward.



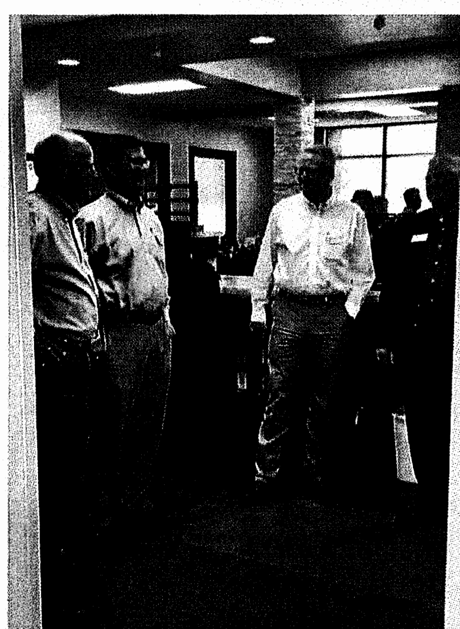
Cash the Cowboy makes a deposit.

The past 130 years have provided a strong foundation—deep roots—for a bank that now serves five communities with six locations, has reached $545 million in assets, and manages $150 million in its Trust department. As we move forward to continue this legacy, our commitment will remain the same: a strong financial foundation, with new ideas and capabilities to serve you, our customers.

We have truly appreciated this opportunity to look back over the last 130 years with you. For their invaluable help, we extend a special thanks to:

- *The Walker County Historical Commission*
- *James Patton, Walker County Clerk*
- *Mike Yawn, SHSU Political Science Department*
- *Mac Woodward, Curator, Sam Houston Memorial Museum*
- *Huntsville Public Library*

Finally, we thank you for joining us as we have traced the extensive history of Huntsville's leading—and original—community bank, First National Bank of Huntsville. We look forward to continuing to serve our customers and community for the next 130 years.



Brazos County Bank grand opening.

2020

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this discussion is to focus on information about the financial condition and results of operations of the Company, which is not otherwise apparent from the consolidated financial statements and selected financial data presented elsewhere herein.

Financial Condition

Cash and due from banks, including interest-bearing account balances and time accounts, increased by approximately $69.79 million or 213.46 percent from year end 2019 to 2020. Investment securities decreased by approximately $10.59 million or 5.76 percent from the same time period.

Total loans decreased by approximately $8.92 million from year end 2019. Loan demand has declined across the board due to economic conditions brought on by the pandemic. The allowance for loan losses increased by $488,077 or 10.09 percent in 2020 when compared to 2019. Management conducts an ongoing analysis of the allowance for loan and lease losses. As of December 31, 2020, the allowance was considered adequate.

The Company's total deposits increased from 2019 to 2020. Non-interest bearing deposits increased by $25.29 million or 18.09 percent from year end 2019. Interest bearing deposits increased by $19.77 million or 6.99 percent for the same period.

Total equity capital increased by approximately $4 million or 6.51 percent. Consolidated earnings for 2020 added $4.71 million to capital. A December 31, 2020 payment of $1,921,732 in cash dividends to the Holding Company's shareholders and a change in value of the Company's available-for-sale investment securities made up the other adjustments to capital. The unrealized gain/loss increased by $1,210,603. In keeping with generally accepted accounting principles, the Company is required to adjust capital for the unrealized gain or loss on the securities classified as available-for-sale, net of income tax effect. (See Note 3 for additional discussion.) Book value per share as of December 31, 2020, net of accumulated other comprehensive income, was $82.67, an increase of 4.62 percent.

The Company's total assets increased from year end 2019. Return on Average Assets was .93 percent for 2020.

Results of Operations

Interest income decreased from 2019 to 2020 by $507,112 or 2.88 percent. In an effort to limit the economic damage from the pandemic, the Federal Reserve pushed interest rates to near all-time lows. The effect of the suppressed rate environment is reflected in the bank's earnings as interest from investment securities decreased by $401,350 or 10.24 percent. Interest income from loans decreased by $464,266 or 3.65 percent, and interest from short term investments decreased by $374,718. However, approximately $745,000 in additional fee income was generated as the bank offered Payroll Protection Program loans to community businesses. Expenses associated with the PPP loans totaled approximately $132,000.

Interest expense on deposits decreased by $215,834 or 9.46 percent from the prior year.

Net interest income decreased by $291,288 or 1.90 percent at year end 2020 from the prior year end.

A $499,963 provision was made to the allowance for credit losses in 2020. Management reviews and evaluates the adequacy of the Company's Allowance for Loan and Lease Losses and any resulting provision to the reserve on an ongoing basis.

Total other income decreased by $214,412 or 6.33 percent in 2020 versus 2019. Service fee income decreased by $243,544 or 9.43 percent bank wide. Fiduciary fee income increased by $53,263 or 8.91 percent and other income decreased by $24,131 or 11.56 percent.

Non-interest expense increased by $226,791 or 1.93 percent in 2020 as compared to 2019. Salaries and other employee benefits increased by $174,984 or 2.76 percent in 2020. Occupancy expense increased by $7,856 or .96 percent from 2019 to 2020. Equipment expense decreased by $32,955 or 4.64 percent when compared to 2019. Professional fees, Stationery and Supplies, and Data Processing Expenses increased by $108,254 or 4.77 percent. FDIC premiums increased by $6,500 from 2019. Various expenses necessary in bank operations listed as "Other" expenses decreased by $37,848 or 2.56 percent in 2020.

Income from operations (excluding the federal income tax expenses, which are discussed in Note 10) decreased by $932,491 or 13.90 percent in 2020, when compared to 2019. The Company recognized federal income tax expense of $1,060,920 in 2020 versus $1,245,585 in 2019.

The Company completed 2020 with net income of approximately $4.71 million. Earnings per share was $6.15 in 2020.

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FIRST NATIONAL BANCSHARES OF
HUNTSVILLE, INC. AND SUBSIDIARY
Huntsville, Texas

December 31, 2020 and 2019

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AXLEY & RODE LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
First National Bancshares of
Huntsville, Inc. and Subsidiary
Huntsville, Texas

We have audited the accompanying consolidated financial statements of First National Bancshares of Huntsville, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and 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 from material misstatements.

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 Company'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 Company'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 consolidated financial position of First National Bancshares of Huntsville, Inc. and Subsidiary as of December 31, 2020 and 2019, and the consolidated 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.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 13, 2021

www.axleyrode.com

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and Due from Banks:		
Noninterest-bearing	$ 5 056 540	$ 4 211 578
Interest-bearing	97 423 456	28 481 075
	102 479 996	32 692 653
Available for sale - Debt securities, at fair value	173 162 922	183 750 800
Loans, less allowance for loan losses	240 380 974	249 794 021
Nonmarketable equity securities	1 128 335	1 117 835
Bank premises and equipment, net	7 990 062	8 488 192
Goodwill	5 108 175	5 108 175
Cash value life insurance	2 862 524	2 788 016
Accrued interest receivable	1 685 493	1 780 334
Other assets	381 307	312 571
TOTAL ASSETS	$ 535 179 788	$ 485 832 597
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 165 051 427	$ 139 764 776
Interest-bearing	302 776 595	283 003 706
TOTAL DEPOSITS	467 828 022	422 768 482
Accrued interest payable	115 223	179 816
Other liabilities and accrued expenses	1 763 464	1 413 774
TOTAL LIABILITIES	469 706 709	424 362 072
Stockholders' Equity:		
Common stock; $2 par value, 3,000,000 shares authorized; 768,120 shares issued; 766,102 shares outstanding	1 536 240	1 536 240
Capital surplus	18 830 668	18 830 668
Retained earnings	43 033 253	40 241 302
Treasury stock; 2,018 shares at cost	(69 758)	(69 758)
Accumulated other comprehensive income (loss), net of tax	2 142 676	932 073
TOTAL STOCKHOLDERS' EQUITY	65 473 079	61 470 525
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 535 179 788	$ 485 832 597

The accompanying notes are an integral part of these financial statements.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2020 and 2019

		2020		2019
Interest Income:				
Loans, including fees	$	13 595 548	$	13 176 982
Debt securities		3 323 578		3 868 476
Equity securities		44 725		50 796
Deposits in banks		149 619		524 338
TOTAL INTEREST INCOME		17 113 470		17 620 592
Interest Expense:				
Deposits		2 064 732		2 280 573
Other		7		-
TOTAL INTEREST EXPENSE		2 064 739		2 280 573
NET INTEREST INCOME		15 048 731		15 340 019
Provision for loan losses		499 963		299 963
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		14 548 768		15 040 056
Other Income:				
Service fees		2 338 657		2 582 201
Fiduciary fees		650 839		597 576
Other		184 620		208 751
TOTAL OTHER INCOME		3 174 116		3 388 528
Other Expenses:				
Salaries and other employee benefits		6 512 285		6 337 301
Occupancy expenses, net		829 306		821 450
Equipment expense		676 825		709 780
Data processing expense		1 731 101		1 550 271
Professional fees		372 347		422 166
Postage, stationery, and supplies		274 587		297 344
FDIC insurance		110 000		103 500
Other		1 441 830		1 479 678
TOTAL OTHER EXPENSES		11 948 281		11 721 490
INCOME BEFORE FEDERAL INCOME TAXES		5 774 603		6 707 094
Federal income taxes		1 060 920		1 245 585
NET INCOME	$	4 713 683	$	5 461 509
NET INCOME PER WEIGHTED AVERAGE COMMON SHARE	$	6.15	$	7.13
WEIGHTED AVERAGE SHARES OUTSTANDING	$	766 102	$	766 102

The accompanying notes are an integral part of these financial statements.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019

	2020	2019
Net income	$ 4 713 683	$ 5 461 509
Other Comprehensive Income, Net of Tax:		
Change in net unrealized gains (losses) on debt securities available for sale, net of income taxes (benefit) of $321,806 in 2020 and $306,730 in 2019	1 210 603	1 153 895
OTHER COMPREHENSIVE INCOME (LOSS)	1 210 603	1 153 895
COMPREHENSIVE INCOME	$ 5 924 286	$ 6 615 404

The accompanying notes are an integral part of these financial statements.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020 and 2019

	COMMON STOCK SHARES	COMMON STOCK PAR VALUE	SURPLUS	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balance December 31, 2018	768 120	$ 1 536 240	$ 18 830 668	$ 36 695 021	$ (69 758)	$ (221 822)	$ 56 770 349
Net income	-	-	-	5 461 509	-	-	5 461 509
Other comprehensive income (loss)	-	-	-	-	-	1 153 895	1 153 895
Dividends paid	-	-	-	(1 915 228)	-	-	(1 915 228)
Balance, December 31, 2019	768 120	1 536 240	18 830 668	40 241 302	(69 758)	932 073	61 470 525
Net income	-	-	-	4 713 683	-	-	4 713 683
Other comprehensive income (loss)	-	-	-	-	-	1 210 603	1 210 603
Dividends paid	-	-	-	(1 921 732)	-	-	(1 921 732)
Balance, December 31, 2020	768 120	$ 1 536 240	$ 18 830 668	$ 43 033 253	$ (69 758)	$ 2 142 676	$ 65 473 079

The accompanying notes are an integral part of these financial statements.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

		2020		2019
Operating Activities:				
Net income	$	4 713 683	$	5 461 509
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Provision for loan losses		499 963		299 963
Provision for depreciation and amortization		617 872		639 286
Principal proceeds from sales of loans held for sale		24 559 597		12 078 203
Originations of loans held for sale		(24 106 775)		(11 803 384)
Net realized gains on sale of loans held for sale		(452 822)		(274 819)
Net (gain) loss from sales of premises and equipment		5 876		-
Amortization (accretion) of debt securities, net		781 564		(365 272)
(Increase) decrease in equity securities		(10 500)		(13 100)
Earnings on cash value of life insurance, net		(74 508)		(75 103)
Decrease (increase) in accrued interest receivable and other operating assets		26 105		52 476
Increase (decrease) in accrued interest payable and other operating liabilities, net of increase in deferred taxes related to securities available-for-sale		(36 709)		495 180
NET CASH PROVIDED BY OPERATING ACTIVITIES		6 523 346		6 494 939
Investing Activities:				
Purchases of available for sale debt securities		(96 394 065)		(121 501 454)
Proceeds from maturities, sales, and principal pay downs of available for sale debt securities		107 732 788		102 816 264
(Increase) decrease in loans, net		8 905 568		2 264 076
Payments received on previously charged-off loans		7 516		18 901
Purchases of premises and equipment		(125 618)		(170 698)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		20 126 189		(16 572 911)
Financing Activities:				
Increase (decrease) in deposits, net		45 059 540		10 752 759
Dividends paid to stockholders		(1 921 732)		(1 915 228)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		43 137 808		8 837 531
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		69 787 343		(1 240 441)
Cash and cash equivalents at beginning of year		32 692 653		33 933 094
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	102 479 996	$	32 692 653
Supplemental Disclosures of Cash Flow Information:				
Cash Paid During the Year for:				
Interest	$	2 129 332	$	2 215 835
Income taxes	$	1 145 000	$	1 220 000
Supplemental Schedule of Noncash Investing and Financing Activities:				
(Increase) decrease in unrealized gains on securities available for sale	$	(1 532 409)	$	(1 460 625)
Increase (decrease) in deferred taxes on securities available for sale	$	321 806	$	306 730

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

First National Bancshares of Huntsville, Inc. (the "Company") is a bank holding company headquartered in Huntsville, Texas. It owns 100% of its subsidiary First National Bank of Huntsville (the "Bank"). The Bank is located in Huntsville, Texas, and provides retail commercial banking as well as trust services. The Bank operates branch offices in Walker County, Houston County, Madison County, Brazos County, and Robertson County, Texas.

Summary of Significant Accounting and Reporting Policies:

The accounting and reporting policies of the Company and the Bank conform to generally accepted accounting principles and practices within the banking industry in the United States of America. The following is a description of the more significant of those policies.

Principles of Consolidation:

The consolidated financial statements and related notes include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated.

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 amounts of assets and liabilities and 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.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by collateral. Although the loan portfolio is diversified, its debtors' ability to honor their contracts is heavily dependent upon economic conditions in the service area.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in the economic conditions in the service area. In addition, the regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the allowance for loan losses. These agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for loan losses may change in the near term; however, the amount of the possible change cannot be estimated.

Debt Securities:

Securities classified as held-to-maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives. At December 31, 2020 and 2019, the Bank had no investment securities categorized as held to maturity.

Securities classified as available-for-sale are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Banks' assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of stockholders' equity, net of the related deferred tax effect.

Securities held as trading assets are carried at fair value. At December 31, 2020 and 2019, the Bank had no investment securities categorized as trading.

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of income.

Gains and losses realized on sales of investment securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income. Additionally, declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that management would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Non-Marketable Equity Securities:

Investments in stock of the Federal Reserve Bank, Federal Home Loan Bank, and Texas Independent Bank are required as a condition of membership. The investments are carried at cost due to their restrictive nature and no ready market exists for these types of investments. The investments are periodically evaluated for impairment.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Loans:

Loans are stated at the amount of unpaid principal, reduced by the undisbursed portion of construction loans (construction loans in process), unearned discount and an allowance for loan losses. The major loan portfolio segments include Commercial, Real Estate, and Consumer. Within these categories, loans are secured most significantly by real estate, but are also secured by account receivables, inventory, income producing commercial properties, personal properties such as vehicles and boats and other items of property, plant and equipment. A small segment of consumer loans are unsecured.

Loans held for sale are stated at lower of carrying value or fair value. The specific identification method of accounting is used to compute gains or losses on sales of loans.

Interest on loans is calculated by using the simple interest method on the daily balances of the principal amounts outstanding. The recognition of income on a loan is discontinued, and previously accrued interest is reversed when, in the opinion of management, it is probable that the borrower will be unable to meet payments as they become due. This generally occurs when the loan becomes 90 days delinquent, but may occur sooner should borrower circumstances dictate.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination and commitment fees are recognized as income when received. Direct loan origination costs are expensed when paid. Financial Accounting Standards Board Codification Section 310.20 *Non-Refundable Fees and Costs* requires the net effect of loan origination and commitment fees and certain direct loan origination costs to be deferred and recognized over the life of the related loan as an adjustment of yield. The Bank does not feel the application of this standard would have a material effect on the Bank's financial position or consolidated results of operations.

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 uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is based on two basic principles of accounting: (i) FASB ASC 450, *Contingencies*, which requires that losses be accrued when they are probable of occurring and estimable and (ii) FASB ASC 310, *Receivables*, which requires that losses or impaired loans be accrued based on the differences between the loan balance and either the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, on the present value of future cash flows, or the loan's value as observable in the secondary market. A loan is considered impaired when, based on current information and events, management has concerns about the ability 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 that significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and borrower, including the length of 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 owned.

The Bank's allowance for loan losses has three basic components: the specific allowance, the formula allowance and the pooled allowance. Each of these components is determined based upon estimates that can and do change when the actual events occur. As a result of the uncertainties inherent in the estimation process, management's estimate of loan losses and the related allowance could change in the near term.

The specific allowance component is used to individually establish an allowance for loans identified for impairment testing. When impairment is identified, a specific reserve may be established based on management's calculation of the estimated loss embedded in the individual loan. Impairment testing includes consideration of the borrower's overall financial condition, resources and payment record, support available from financial guarantors and the fair value of collateral. These factors are combined to estimate the probability and severity of inherent losses. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Accordingly, management does not separately evaluate individual consumer and residential loans for impairment.

The formula allowance component is used for estimating the loss on internally risk rated loans exclusive of those identified as impaired. The loans meeting each Bank's internal criteria for classification, such as special mention, substandard, doubtful and loss, as well as specifically identified impaired loans, are segregated from performing loans within the portfolio. These internally classified loans are then grouped by loan type (commercial, real estate, installment, overdrafts, and consumer). Each loan type is assigned an allowance factor based on management's estimate of the associated risk, complexity, and size of the individual loans within the particular loan category. Classified loans are assigned higher allowance factor than non-classified loans due to management's concerns regarding collectability or management's knowledge of particular elements surrounding the borrower. Allowance factors increase with the worsening of the internal risk rating.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The pooled formula component is used to estimate the losses inherent in the pools of non-classified loans. These loans are then also segregated by loan type and allowance factors are assigned by management based on delinquencies, loss history, trends in volume and terms of loans, effects of changes in lending policy, the experience and depth of management, national and local economic trends, concentration of credit, results of the loan review system and the effect of external factors (i.e. competition and regulatory requirements).

Allowance factors and overall size of the allowance may change from period to period based on management's assessment of the above-described factors and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for loan losses. These agencies may require the Bank to make additions to the allowance for loan losses based on their judgements of collectability based on information available to them at the time of their examination.

Management considers loans impaired when, based on current information, it is probable that the Bank will not collect all principal and interest payments according to contractual terms. Loans are evaluated for impairment in accordance with the Bank's portfolio monitoring and ongoing risk assessment procedures. Management considers the financial condition of the borrower, cash flow of the borrower, payment status of the loan, and the value of the collateral, if any, securing the loan. Generally, impaired loans do not include large groups of smaller balance homogenous loans such as residential real estate and consumer type loans which are evaluated collectively for impairment and are generally placed on nonaccrual when loan becomes 90 days past due as to principal or interest. Loans specifically reviewed for impairment are not considered impaired during periods of "minimal delay" in payment (90 or less) provided eventual collection of all amounts due is expected. The impairment of a loan is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or the fair value of the collateral if repayment is expected to be provided solely by the collateral. In appropriate circumstances, interest income on impaired loans may be recognized on a cash basis.

The Bank's charge-off policy states after all collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Bank's established allowance for loan losses.

Troubled Debt Restructurings:

In situations where, for economic or legal reasons related to a customer's financial difficulties, the Bank may grant a concession for other than an insignificant period of time to the customer to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Bank grants the customer 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.

Bank Premises and Equipment:

Land is stated at cost. Other premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs that do not extend the life of bank premises and equipment are charged to expense. Gains or losses realized on the disposition of properties and equipment are reflected in the consolidated statements of income in other income.

Other Real Estate:

The Bank records real estate acquired by foreclosure at fair value, less estimated costs to sell, at the time of foreclosure. Adjustments are made to reflect declines in value, subsequent to acquisition, if any, below the recorded amounts. Required developmental costs associated with foreclosed property under construction are capitalized and considered in determining the fair value of the property. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in the consolidated statements of income.

The Bank did not have physical possession of any foreclosed residential real estate as of December 31, 2020 and 2019. During the years presented, there were no investments in consumer mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process at year end.

Goodwill:

The Bank reviews goodwill for possible impairment at least annually for each applicable reporting unit. If the reporting unit's fair value is greater than its carrying amount, goodwill is not impaired and no loss is recognized. If the implied fair value of a reporting unit's goodwill is less than the recorded amount, goodwill is considered impaired and the Bank must recognize a loss. Management concluded that there was no impairment for the years 2020 or 2019.

Bank Owned Life Insurance:

The Bank has purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified as other income in the consolidated statements of income. These insurance policies can be surrendered subject to certain surrender penalties applied by the insurance carriers, as well as potential income taxes to be paid. See Note 8.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes:

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

FASB Codification Section 740 *Income Taxes* requires recognition, measurement, and disclosure of uncertain tax positions. The Company currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has determined that there are no tax positions requiring an accrual based on current standards of accounting. The Company is generally no longer subject to Federal tax examination for years before 2017.

Net Income per Common Share:

Net income per common share is calculated by dividing the net income by the weighted average number of common shares outstanding.

Cash and Cash Equivalents:

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents are defined as those amounts included as noninterest-bearing and interest-bearing under the balance sheet caption "Cash and Due from Banks".

Advertising:

Advertising costs are expensed when incurred.

Noninterest Income:

The Bank recognizes revenue when the performance obligations related to the transfer of goods or services under the terms of the contract are satisfied. Some obligations are satisfied at a point in time while others are satisfied over a period of time. Revenue is recognized as the amount of consideration to which the Bank expects to be entitled to in exchange for transferring goods or services to a customer. When consideration includes a variable component, the amount of consideration attributable to variability is included in the transaction price only to the extent it is probable that significant revenue recognized will not be reversed when uncertainty associated with the variable consideration is subsequently resolved. Generally, the variability relating to the consideration is explicitly stated in the contracts, but may also arise from the Bank's customer business practices, for example, waiving certain fees related to customer's deposit accounts such as NSF fees. The Bank's contracts generally do not contain terms that require significant judgement to determine the variability impacting the transaction price.

Revenue is segregated based on the nature of product and services offered as part of contractual arrangements. Revenue from contracts with customers is broadly segregated as follows:

Service Fees - Service fees on deposit accounts is primary income derived from account maintenance, overdraft services, and debit card interchange fees. The consideration includes fixed fees (e.g. account maintenance fee) that are recognized over a period of time. The Bank may, from time to time, waive certain fees (e.g. NSF fee) for customers but generally does not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Additionally, waiver of fees reduces the revenue in the period the waiver is granted to the customer. Interchange fees for services performed related to authorization and settlement of a cardholder's transaction with a merchant are recognized when a cardholder's transaction is approved and settled. The revenue may be constrained due to inherent uncertainty related to cardholder's right to return goods and services but as the uncertainty is resolved within a short period of time (generally within 30 days) interchange revenue is reduced by the amount of returns in the period the return is made by the customer.

Income from Fiduciary Activities - The Bank provides some trust and asset management services to customers on a continuous scale and customers are invoiced monthly, quarterly, and annually depending on the customers' preferences. Recognition of income from these services that occur on a continuous bases coincides with the timing of the statement. ASC 606 allows for the variable consideration allocation exception which allows entities to recognize revenue based on outputs or work performed thru the date of the invoice (i.e. customer statement); therefore, revenue should be recognized when the customer is invoiced. Though this could cause immaterial differences in the timing of revenue recognition for quarterly reports, it does not impact the amount to be recorded for the year. Furthermore, the majority of this account is income from performance based fees that are tied to market fluctuations and are measured at a specific point in time. Since this outcome cannot be reasonably determined, ASC 606 allows this income to be recognized at the reporting date. Revenue from this set of fees is appropriately recorded in December.

Other - The majority of income in this account is composed of transaction fees triggered under customer account agreements and publicized fee sheets (the contract with the customer) when either the customer requests a specific transaction or service (purchase of a money order, rental of safe deposit box, etc.). Revenue is recognized when a specific service (e.g. execution of wire-transfer) is rendered to the customer. However, 35% of the account is made-up of income recognized on the valuation on the cash value of life insurance which is derived from a financial instrument, and as such, it not within the scope of ASC 606.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Control is transferred to a customer either at a point in time or over time. A performance obligation is deemed satisfied when the control over goods or services is transferred to the customer. To determine when control is transferred at a point in time, the Bank considers indicators, including but not limited to the right to payment for the asset, transfer of significant risk and rewards of ownership of the asset and acceptance of the asset by the customer. When control is transferred over a period of time, for different performance obligations, either the input or output method is used to determine the progress. The measure of progress used to assess completion of the performance obligations varies between performance obligations and may be based on time throughout the period of service or on the value of goods and services transferred to the customer. As each distinct service or activity is performed, the Bank transfers control to the customer based on the services performed as the customer simultaneously receives the benefits of those services. This timing of revenue recognition aligns with the resolution of any uncertainty related to variable consideration. Costs to obtain a revenue producing contract are expensed when incurred as a practical expedient as the contractual period for majority of contracts is one year or less.

Fair Values of Financial Instruments:

The Bank follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies the fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

Comprehensive Income:

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Reclassifications:

Certain reclassifications have been made to the prior period's financial statements in order to conform to the classifications used for the current year.

Subsequent Events:

Management has evaluated subsequent events through April 13, 2021, the date the financial statements were available to be issued.

Accounting Standards Adopted in 2020:

In March 2017, the FASB issued ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities*. This ASU requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. Under current U.S. GAAP, premiums on callable debt securities are generally amortized over the contractual life of the security. The standard took effect for nonpublic entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Adoption of ASU 2017-08, which was effective on January 1, 2020, did not have a material impact on the consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvement to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, Issue 4B: Held-to-Maturity securities fair value disclosures. This guidance amends certain paragraphs and clarifies the exemption of entities other than public business entities from fair value disclosure requirements for financial instruments not measured at fair value on the balance sheet. Adoption of ASU 2019-04, which was effective on January 1, 2020, did not have a material impact on the consolidated financial statements and related disclosures.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* as amended in July 2018 by ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements*, that replace existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the consolidated balance sheets. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of income. These ASU's are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2021. The Bank is currently evaluating the impact of the provisions of these ASUs and anticipates recognition of additional assets and corresponding liabilities relating to these leases on the consolidated balance sheets, but does not expect the adjustment to be material assuming no changes in lease activity.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2022. The Bank is currently evaluating the impact of the adoption of this standard would have on the consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this guidance to eliminate the requirement to calculate the implied fair value of goodwill to measure goodwill impairment charge (Step 2). As a result, an impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis. The guidance is effective for goodwill impairment tests in fiscal years beginning after December 15, 2021, for nonpublic companies. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The impact of this guidance will depend on the outcomes of future goodwill impairment tests.

ASU 2019-01, *Leases (Topic 842): Codification Improvements*, addresses several issues regarding the application of FASB ASC 842, *Leases*. Under the extant guidance in FASB ASC 840, *Leases*, lessors that are financial institutions or captive finance companies may determine the fair value of any underlying leased asset at cost, adjusted for any volume or trade discounts, rather than fair value as defined in FASB ASC 820, *Fair Value Measurement*. The amendments in ASU 2019-01 allow these lessors to continue using this same method to determine the fair value of an underlying leased asset under FASB ASC 842, unless a significant amount of time has occurred between the commencement of the lease and the acquisition of the underlying asset. In addition, ASU 2019-01 clarifies that lessors within the scope of FASB ASC 942, *Financial Services - Depository and Lending*, must present principal payment received from sales-type and direct financing leases as investing activities in the consolidated statement of cash flows, rather than as operating activities as required for all other lessors. The ASU also clarifies that all entities that are lessors or lessees are exempted from making certain transition disclosures in interim periods after the date of adoption. For all entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2021 and interim periods beginning after December 15, 2022. Early adoption is allowed. At this time, the Bank has not determined the impact of the Update on the consoidated financial statements.

In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors*. The ASU creates a lessor practical expedient applicable to sales and other similar taxes incurred in connection with a lease, and simplifies lessor accounting for lessor costs paid by the lessee. The ASU permits lessors, as an entity-wide accounting policy election, to present sales and other similar taxes that arise from specific leasing transaction on a net basis. The guidance requires lessors to present lessor costs paid by the lessee directly to a third party on a net basis - regardless of whether the lessor knows, can determine or can reliably estimate those costs. The guidance requires lessors to present lessor costs paid by the lessee to the lessor (e.g. though direct reimbursement or as part of the fixed lease payments) on a gross basis. The effective date is the same as the effective date of ASU 2016-02. At this time the Bank is has not determined the impact of the update on the consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments - Credit Loss (Topic 826): Targeted Transition Relief*. The ASU provides entities that have certain instruments within the scope of ASC Subtopic 326-20 with an option to irrevocably elect fair value option applied on instrument-by-instrument basis. The fair value option does not apply to held-to-maturity securities. The effective date is the same as the effective date of ASU 2016-13. The Bank is currently evaluating the impact of the adoption of this standard would have on the consolidated financial statements and related disclosures.

In November 2019, the FASB issued ASU 2019-11, *Financial Instruments - Credit Losses (Topic 326): Codification Improvements to Topic 326*. This ASU clarifies or addresses the stakeholder's specific issues related to ASU 2016-13 as described below:

- Clarifies that the allowance for purchased financial assets with credit deterioration should include expected recoveries. If a method other than a discounted cash flow method is used to calculate allowance, expected recoveries should not result in an acceleration of the noncredit discount.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Provides transition relief by permitting entities an accounting policy election to adjust the effective interest rate on existing TDRs using prepayment assumptions on the date of adoption of Topic 326 rather than the prepayment assumptions in effect immediately before the restructuring.
- Extends the disclosure relief for accrued interest receivable balances to additional relevant disclosures involving amortized cost basis.
- Clarifies that an entity should assess whether it reasonably expects the borrower will be able to continually replenish collateral securing the financial asset to apply the practical expedient related to collateral maintenance provision.

The effective date is the same as the effective date of ASU 2016-13. The Bank is currently evaluating the impact of the adoption of this standard would have on the consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU NO. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* an update that provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The optional guidance and subsequent scope modification are provided to ease the potential burden of accounting for reference rate reform. The guidance is effective and can be adopted no later than December 31, 2022. The Bank is currently evaluating the potential impact of this standard on the consolidated financial statements.

NOTE 2 - CASH AND DUE FROM BANKS

Included in "Cash and Due from Banks" are interest-bearing accounts with the Federal Reserve Bank and the Federal Home Loan Bank.

NOTE 3 - DEBT SECURITIES

At December 31, 2020 and 2019, the investment securities as shown in the balance sheet were comprised entirely of securities classified as available for sale. The amortized cost and related fair values are as follows:

	DECEMBER 31, 2020			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
U.S. government bonds	$ 22 064 576	$ 139 174	$ -	$ 22 203 750
Obligations of U.S. government agencies	-	-	-	-
Municipal securities	65 853 281	1 085 009	(26 319)	66 911 971
Mortgage-backed securities and collateralized mortgage obligations	82 532 817	1 589 735	(75 351)	84 047 201
	$ 170 450 674	$ 2 813 918	$ (101 670)	$ 173 162 922

	DECEMBER 31, 2019			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
U.S. government bonds	$ 75 568 705	$ 266 804	$ -	$ 75 835 509
Obligations of U.S. government agencies	11 381 570	31 946	-	11 413 516
Municipal securities	26 770 298	581 651	(511)	27 351 438
Mortgage-backed securities and collateralized mortgage obligations	68 850 388	354 851	(54 902)	69 150 337
	$ 182 570 961	$ 1 235 252	$ (55 413)	$ 183 750 800

The amortized cost and fair values of investment securities available for sale at December 31, 2020, by expected maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 34 667 642	$ 34 843 892
Due after one year but less than five years	38 930 438	39 536 602
Due after five years but less than ten years	13 579 784	13 981 922
Due after ten years	739 992	753 306
Mortgage-backed securities and collateralized mortgage obligations	82 532 818	84 047 200
	$ 170 450 674	$ 1 73162 922

There were no sales of investment securities in 2020 or 2019.

NOTE 3 - DEBT SECURITIES - CONTINUED

FASB Codification Section 320 *Investments* requires the assessment of other-than-temporary impairment regarding debt and equity securities. Information pertaining to securities with gross unrealized losses at December 31, 2020 and 2019, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

DECEMBER 31, 2020:	LESS THAN 12		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS
U.S. government bonds	$ -	$ -	$ -	$ -	$ -	$ -
U.S. agency bonds	-	-	-	-	-	-
Municipal securities	8 742 937	(26 319)	-	-	8 742 937	(26 319)
Mortgage-backed securities and collateralized mortgage obligations	20 746 490	(75 195)	6 288	(156)	20 752 778	(75 351)
	$ 29 489 427	$ (101 514)	$ 6 288	$ (156)	$ 29 495 715	$ (101 670)

DECEMBER 31, 2019:	LESS THAN 12		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS
U.S. government bonds	$ -	$ -	$ -	$ -	$ -	$ -
U.S. agency bonds	-	-	-	-	-	-
Municipal securities	782 205	(511)	-	-	782 205	(511)
Mortgage-backed securities and collateralized mortgage obligations	17 951 055	(54 895)	370	(7)	17 951 425	(54 902)
	$ 18 733 260	$ (55 406)	$ 370	$ (7)	$ 18 733 630	$ (55 413)

Management evaluates securities for other-than-temporary impairment on a periodic basis. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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

Investment securities with an amortized cost of approximately $89,877,000 and $79,509,000 and a fair value of approximately $91,515,000 and $80,092,000 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits, other borrowings, and for other purposes required or permitted by law.

NOTE 4 - LOANS

The Bank's goal is to mitigate risk from an unforeseen threat to the loan portfolio as a result of an economic downturn or other negative influences. Plans that aid in mitigating these potential risks in managing the loan portfolio include: enforcing loan policies and procedures, evaluating the borrower's business plan through the loan term, identifying and monitoring primary and alternative sources of repayment, and obtaining adequate collateral to mitigate loss in the event of liquidation. Specific reserves are established based on credit and/or collateral risks on an individual loan basis. A risk rating system is used to estimate potential loss exposure and to provide a measuring system for setting general and specific reserve allocations.

Outstanding Loans:

The table below presents total outstanding loans at December 31, 2020 and 2019 and an aging analysis at December 31, 2020 and 2019:

	DECEMBER 31, 2020				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL OUT-STANDING
Real Estate:					
Commercial construction/land development	$ -	$ -	$ -	$ 41 057 380	$ 41 057 380
1-4 family construction	-	-	-	7 298 629	7 298 629
Farmland	-	-	-	5 022 033	5 022 033
1-4 family 1st lien	396 316	-	396 316	83 034 444	83 430 760
1-4 family 2nd lien	-	-	-	1 111 140	1 111 140
Multi-family	-	-	-	7 101 014	7 101 014
Owner occupied non-farm non residential	-	-	-	23 593 611	23 593 611
Non-owner occupied non-farm non-residential	-	-	-	14 184 022	14 184 022
TOTAL REAL ESTATE	396 316	-	396 316	182 402 273	182 798 589
Consumer:					
Automobile	9 667	14 035	23 702	10 379 577	10 403 279
Other consumer	33 975	7 195	41 170	15 218 643	15 259 813
Overdrafts	-	-	-	-	-
TOTAL CONSUMER	43 642	21 230	64 872	25 598 220	25 663 092
Commercial:					
Agricultural production	-	-	-	3 248 840	3 248 840
Commercial/industrial	74 285	-	74 285	23 950 167	24 024 452
Obligations of states/political subdivisions of US	-	-	-	4 021 372	4 021 372
PPP loans	-	-	-	5 950 384	5 950 384
TOTAL COMMERCIAL	74 285	-	74 285	37 170 763	37 245 048
TOTAL LOANS	$ 514 243	$ 21 230	$ 535 473	$ 245 171 256	245 706 729
Allowance for loan losses					(5 325 755)
LOANS, NET					$ 240 380 974
Percentage of outstanding	0.21%	0.01%	0.22%	99.78%	100.00%

NOTE 4 - LOANS - CONTINUED

	DECEMBER 31, 2019				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL OUT-STANDING
Real Estate:					
Commercial construction/land development	$ -	$ -	$ -	$ 14 246 905	$ 14 246 905
1-4 family construction	-	-	-	11 720 535	11 720 535
Farmland	-	-	-	4 161 690	4 161 690
1-4 family 1st lien	345 459	6 523	351 982	102 189 895	102 541 877
1-4 family 2nd lien	-	-	-	758 708	758 708
Multi-family	-	-	-	4 686 458	4 686 458
Owner occupied non-farm non residential	-	-	-	22 061 707	22 061 707
Non-owner occupied non-farm non-residential	-	-	-	33 489 467	33 489 467
TOTAL REAL ESTATE	345 459	6 523	351 982	193 315 365	193 667 347
Consumer:					
Automobile	59 976	-	59 976	10 728 538	10 788 514
Other consumer	33 025	6 865	39 890	15 607 114	15 647 004
Overdrafts	-	-	-	138 955	138 955
TOTAL CONSUMER	93 001	6 865	99 866	26 474 607	26 574 473
Commercial:					
Agricultural production	-	-	-	4 167 709	4 167 709
Commercial/industrial	74 809	-	74 809	28 901 302	28 976 111
Obligations of states/political subdivisions of US	-	-	-	1 246 060	1 246 060
TOTAL COMMERCIAL	74 809	-	74 809	34 315 071	34 389 880
TOTAL LOANS	$ 513 269	$ 13 388	$ 526 657	$ 254 105 043	254 631 700
Allowance for loan losses					(4 837 679)
LOANS, NET					$ 249 794 021
Percentage of outstanding	0.20%	0.01%	0.21%	99.79%	100.00%

Nonaccrual Loans:

The table below includes the Bank's nonaccrual loans, including nonperforming trouble debt restructures, and loans past due 90 days or more at December 31, 2020 and 2019:

	DECEMBER 31,			
	2020		2019	
	NONACCRUAL LOANS AND LEASES	ACCRUING PAST DUE 90 DAYS OR MORE	NONACCRUAL LOANS AND LEASES	ACCRUING PAST DUE 90 DAYS OR MORE
Real Estate:				
1-4 family 1st lien	$ -	$ -	$ -	$ 6 523
Owner occupied non-farm non-residential	-	-	172 034	-
Non-owner occupied non-farm non-residential	-	-	-	-
TOTAL REAL ESTATE	-	-	172 034	6 523
Consumer:				
Automobile	34 252	14 035	-	6 865
Other consumer	-	7 195	-	6 865
TOTAL CONSUMER	34 252	21 230	-	6 865
TOTAL LOANS	$ 34 252	$ 21 230	$ 172 034	$ 13 388

Credit Quality Indicators:

The Bank monitors credit quality within its three segments based on primary credit quality indicators. The Bank loans are evaluated using the pass rated, special mention, substandard, doubtful, or loss as the primary credit quality indicators.

Pass - A *pass* does not possess any weaknesses by management sufficient to warrant a more adverse classification.

Special Mention - A *special mention* does not warrant adverse classification yet, but possesses credit deficiencies or potential weaknesses requiring management's close attention. A special mention asset is one, which has the potential to weaken and have increased risk in the future. This category is a monitoring and early warning system for assets that have the potential to deteriorate to a substandard level. This category is also for assets that have improved from a substandard classification, but have not improved sufficiently or maintained the improvement for a sufficient time period to be classified satisfactory.

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

Doubtful - An asset classified *doubtful* has all the weaknesses inherent in one classified 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.

NOTE 4 - LOANS - CONTINUED

Loss - Assets classified *loss* are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Amounts classified as loss are generally charged off to the allowance for loan losses upon such classification.

2020	PASS	SPECIAL MENTION	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL
Real Estate:						
Commercial construction/ land development	$ 39 943 188	$ -	$ 1 114 192	$ -	$ -	$ 41 057 380
1- 4family construction	7 298 629	-	-	-	-	7 298 629
Farmland	5 022 033	-	-	-	-	5 022 033
1-4 family 1st lien	80 942 935	1 870 755	617 070	-	-	83 430 760
1-4 family 2nd lien	1 111 140	-	-	-	-	1 111 140
Multi-family	7 101 014	-	-	-	-	7 101 014
Owner occupied non-farm non- residential	23 284 167	-	309 444	-	-	23 593 611
Non-owner occupied non-farm non-residential	13 977 107	-	206 915	-	-	14 184 022
TOTAL REAL ESTATE	178 680 213	1 870 755	2 247 621	-	-	182 798 589
Consumer:						
Automobiles	10 354 363	-	48 916	-	-	10 403 279
Other consumer	15 218 643	-	41 170	-	-	15 259 813
Overdrafts	-	-	-	-	-	-
TOTAL CONSUMER	25 573 006	-	90 086	-	-	25 663 092
Commercial:						
Agricultural production	3 160 376	-	88 464	-	-	3 248 840
Commercial/industrial	23 079 000	12 974	932 478	-	-	24 024 452
Obligations of states/political subdivisions of US	4 021 372	-	-	-	-	4 021 372
PPP loans	5 950 384	-	-	-	-	5 950 384
TOTAL COMMERCIAL	36 211 132	12 974	1 020 942	-	-	37 245 048
TOTAL LOANS	$ 240 464 351	$ 1 883 729	$ 3 358 649	$ -	$ -	$ 245 706 729

2019	PASS	SPECIAL MENTION	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL
Real Estate:						
Commercial construction/land development	$ 14 246 905	$ -	$ -	$ -	$ -	$ 14 246 905
1- 4family construction	11 720 535	-	-	-	-	11 720 535
Farmland	4 161 690	-	-	-	-	4 161 690
1-4 family 1st lien	101 461 615	279 250	801 012	-	-	102 541 877
1-4 family 2nd lien	758 708	-	-	-	-	758 708
Multi- family	4 686 458	-	-	-	-	4 686 458
Owner occupied non-farm non-residential	21 484 364	315 550	261 793	-	-	22 061 707
Non- owneroccupied non-farm non-residential	33 298 500	18 933	172 034	-	-	33 489 467
TOTAL REAL ESTATE	191 818 775	613 733	1 234 839	-	-	193 667 347
Consumer:						
Automobiles	10 679 970	-	108 544	-	-	10 788 514
Other consumer	15 606 093	-	40 911	-	-	15 647 004
Overdrafts	138 955	-	-	-	-	138 955
TOTAL CONSUMER	26 425 018	-	149 455	-	-	26 574 473
Commercial:						
Agricultural production	4 167 709	-	-	-	-	4 167 709
Commercial/industrial	26 703 905	1 406 812	865 394	-	-	28 976 111
Obligations of states/political subdivisions of US	1 246 060	-	-	-	-	1 246 060
TOTAL COMMERCIAL	32 117 674	1 406 812	865 394	-	-	34 389 880
TOTAL LOANS	$ 250 361 467	$ 2 020 545	$ 2 249 688	$ -	$ -	$ 254 631 700

Impaired Loans and Trouble Debt Restructurings:

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. During 2020 and 2019, the Bank had no significant troubled debt restructures. Information on impaired loans is as follows:

	DECEMBER 31, 2020				
	UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT	INTEREST INCOME RECOGNIZED
Real estate	$ 354 714	$ 301 507	$ 53 207	$ 270 645	$ 10 799
Commercial	98 087	61 384	36 703	45 270	2 501
Consumer	73 572	52 465	21 107	71 345	3 519
TOTAL	$ 526 373	$ 415 356	$ 111 017	$ 387 260	$ 16 819

NOTE 4 - LOANS - CONTINUED

	DECEMBER 31, 2019				
	UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT	INTEREST INCOME RECOGNIZED
Real estate	$ 285 549	$ 239 782	$ 45 768	$ 253 742	$ 10 124
Commercial	40 557	29 155	11 402	223 520	12 347
Consumer	111 311	90 225	21 086	95 792	4 724
TOTAL	$ 437 417	$ 359 162	$ 78 256	$ 573 054	$ 27 195

Allowance for Credit Losses:

The table below summarizes the changes in the allowance for credit losses for 2020 and 2019:

	DECEMBER 31, 2020			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Allowance for loan and lease losses January 1	$ 1 994 452	$ 1 228 473	$ 1 614 754	$ 4 837 679
Loans and leases charged off	(1 982)	-	(17 421)	(19 403)
Recoveries of loans and leases previously charged off	5 360	-	2 156	7 516
NET CHARGE OFFS	3 378	-	(15 265)	(11 887)
Provision for loan and lease losses	199 985	199 985	99 993	499 963
ALLOWANCE FOR LOAN AND LEASE LOSSES DECEMBER 31	$ 2 197 815	$ 1 428 458	$ 1 699 482	$ 5 325 755

	DECEMBER 31, 2019			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Allowance for loan and lease losses January 1	$ 1 913 993	$ 1 108 488	$ 1 587 612	$ 4 610 093
Loans and leases charged off	(47 662)	-	(43 618)	(91 280)
Recoveries of loans and leases previously charged off	8 136	-	10 767	18 903
NET CHARGE OFFS	(39 526)	-	(32 851)	(72 377)
Provision for loan and lease losses	119 985	119 985	59 993	299 963
ALLOWANCE FOR LOAN AND LEASE LOSSES DECEMBER 31	$ 1 994 452	$ 1 228 473	$ 1 614 754	$ 4 837 679

The table below represents the allowance and the carrying value of outstanding loans and leases by portfolio segment at December 31, 2020 and 2019.

	DECEMBER 31, 2020			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Impaired Loans and Trouble Debt Restructures:				
Allowance for loans and lease losses	$ 36 703	$ 53 207	$ 21 107	$ 111 017
Principal balance	$ 98 087	$ 354 714	$ 73 572	$ 526 373
Allowance as a percentage of principal value	37.42%	15.00%	28.69%	21.09%
Collectively Evaluated for Impairment:				
Allowance for loans and lease losses	$ 2 161 11 2	$ 1 375 251	$ 1 678 375	$ 5 214 738
Principal balance	$ 37 146 962	$ 182 443 875	$ 25 589 519	$ 245 180 356
Allowance as a percentage of principal value	5.82%	0.75%	6.56%	2.13%
Total:				
Allowance for loans and lease losses	$ 2 197 815	$ 1 428 458	$ 1 699 482	$ 5 325 755
Principal balance	$ 37 245 049	$ 182 798 589	$ 25 663 091	$ 245 706 729
Allowance as a percentage of principal value	5.90%	0.78%	6.62%	2.17%

	DECEMBER 31, 2019			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Impaired Loans and Trouble Debt Restructures:				
Allowance for loans and lease losses	$ 11 402	$ 45 768	$ 21 086	$ 78 256
Principal balance	$ 40 557	$ 285 549	$ 111 311	$ 437 417
Allowance as a percentage of principal value	28.11%	16.03%	18.94%	17.89%
Collectively Evaluated for Impairment:				
Allowance for loans and lease losses	$ 1 983 050	$ 1 182 705	$ 1 593 668	$ 4 759 423
Principal balance	$ 34 349 323	$ 193 381 798	$ 26 463 162	$ 254 194 283
Allowance as a percentage of principal value	5.77%	0.61%	6.02%	1.87%
Total:				
Allowance for loans and lease losses	$ 1 994 452	$ 1 228 473	$ 1 614 754	$ 4 837 679
Principal balance	$ 34 389 880	$ 193 667 347	$ 26 574 473	$ 254 631 700
Allowance as a percentage of principal value	5.80%	0.63%	6.08%	1.90%

NOTE 4 - LOANS - CONTINUED

Approximate loan maturities, excluding nonaccrual loans, of the loan portfolio are as follows:

	DECEMBER 31,	
	2020	2019
Within one year	$ 47 331 000	$ 50 221 000
After one through five years	144 480 000	152 232 000
After five years	53 861 000	52 107 000
TOTAL	$ 245 672 000	$ 254 560 000

The Bank had approximately $-0- and $-0- mortgage loans held for sale at December 31, 2020 and 2019, respectively. During 2020 and 2019, the Bank originated and sold approximately $24,107,000 and $11,803,000, respectively, of mortgage loans. The Bank receives a service release premium, which is effectively a gain on sale, when the loan is sold; these premiums approximated $453,000 in 2020 and $274,000 in 2019, and are included in interest income from loans including fees in the accompanying consolidated statements of income.

The Bank had approximately $3,219,000 and $3,445,000 of student loans at December 31, 2020 and 2019, respectively. Student loans are routinely sold to loan servicing organizations at a contractually pre-determined price (which is usually the loan carrying value plus a percentage) when the student borrower leaves school and the loan goes into repayment status. The Bank accounts for amounts received from sales in excess of carrying value as fee income; for 2020 and 2019, respectively, the Bank realized fee income from sales of student loans of approximately $4,000 and $20,000. The fee income is included in interest income from loans, including fees on the accompanying consolidated statements of income.

As of December 31, 2020 and 2019, loans outstanding to directors, officers, and their affiliates were approximately $3,467,000 and $2,151,000, respectively. In the opinion of management, all transactions entered into between the Bank and such related parties, in the ordinary course of business, have been and are made on the same terms and conditions as similar transactions with unaffiliated persons.

Paycheck Protection Program:

The Bank is participating in the Paycheck Protection Program ("PPP"), which is a loan program that originated from the CARES Act and was subsequently expanded by the Paycheck Protection Program and Health Care Enhancement Act. The PPP is designed to provide U.S. small businesses with cash-flow assistance through loans fully guaranteed by the Small Business Administration (SBA). If the borrower meets certain criteria and uses the proceeds towards certain eligible expenses, the borrower's obligation to repay the loan can be forgiven up to the full principal amount of the loan and any accrued interest. Upon borrower forgiveness, the SBA pays the Bank for the principal and accrued interest owed on the loan. If the full principal of the loan is not forgiven, the loan will operate according to the original loan terms with the 100 percent SBA guaranty remaining. The Bank issued 344 PPP loans totaling approximately $21,063,000 in 2020. As of December 31, 2020, the Bank had approximately 182 PPP loans with outstanding balances totaling approximately $5,876,000. As compensation for originating the loans, the Bank received lender processing fees from the SBA.

Under U.S. GAAP, these fees should be capitalized at origination and amortized over the loans' contractual lives into interest income. Upon forgiveness of a loan and repayment by the SBA, any unrecognized net capitalized fees and costs related to the loan will be recognized as interest income in that period. Management performed an analysis of the fees received in connection with the program and determined that the amount that would ordinarily be deferred is not material and has recognized all PPP fees of approximately $745,000 in interest income from loans, including fees on the accompanying consolidated statements of income.

NOTE 5 - BANK PREMISES AND EQUIPMENT

Bank premises and equipment are summarized as follows:

	DECEMBER 31,		USEFUL LIVES
	2020	2019	IN YEARS
Land	$ 2 506 282	$ 2 506 282	N/A
Buildings and improvements	11 231 920	11 231 920	5 - 40
Furniture, equipment and autos	6 693 706	6 618 626	3 - 15
Leasehold improvements	281 225	277 941	3 - 20
Application software	1 251 742	1 251 742	3
Work in process	28 085	20 459	N/A
	21 992 960	21 906 970	
Less accumulated depreciation	(14 002 898)	(13 418 778)	
	$ 7 990 062	$ 8 488 192	

Depreciation and amortization expense was $617,872 in 2020 and $639,286 in 2019.

NOTE 5 - BANK PREMISES AND EQUIPMENT - CONTINUED

The Bank is under an operating lease for one of its Huntsville branch facilities. The lease term is five years and it expires September 2022. Lease expense is payable monthly, and total lease expense approximated $58,000 in 2020 and $55,000 in 2019. Approximate future annual lease expenditures related to this lease are as follows:

YEAR ENDING DECEMBER 31,		TOTAL LEASE PAYMENTS
2021	$	57 000
2022	$	42 750

The Bank also leases various items of office equipment such as postage machine, copiers, etc. as well as sign space. Aggregate lease expense approximates $40,000 per year under these agreements and is expected to approximate $40,000 annually for the next five years.

NOTE 6 - DEPOSITS

Included in interest-bearing deposits are time deposits. These time deposits and their approximate remaining maturities are as follows:

	DECEMBER 31,	
	2020	2019
Within one year	$ 61 729 000	$ 57 306 000
One to two years	13 435 000	16 083 000
Two to three years	4 828 000	5 994 000
Three to five years	7 970 000	6 970 000
Over five years	-	17 000
	$ 87 962 000	$ 86 370 000

Certificated deposits and other time deposits issued in denominations that meet or exceed the FDIC insurance limit of $250,000 or more totaled approximately $15,312,000 and $12,524,000 at December 31, 2020 and 2019, respectively, and are included in interest-bearing deposits in the consolidated balance sheets.

The aggregate amount of deposits owed by the Bank to directors, officers, principal stockholders and their related entities approximated $8,136,000 and $10,985,000 at December 31, 2020 and 2019, respectively.

NOTE 7 - OTHER BORROWINGS AND LINES OF CREDIT

The Bank is a member of the Federal Home Loan Bank (FHLB). As a member, the Bank has a line of credit through the FHLB. Under this line of credit the Bank may borrow up to approximately $112,473,000 on a secured basis. The Bank had no amounts drawn against this line as of December 31, 2020 and 2019, respectively.

NOTE 8 - DEFERRED COMPENSATION

Supplementary Executive Retirement Agreements

As part of the acquisition of The National Bank of Madisonville (TNB) in 2004, the Bank assumed the Supplementary Retirement Agreements and the life insurance policies that TNB had with certain officers of that institution. There are four Agreements and they are accounted for as deferred compensation pursuant to FASB Codification Section 710 *Compensation*. The life insurance policies are an integral part of the Agreements and they are actuarially designed to provide earnings to offset the annual expenses associated with the Agreements. The benefits payable under the Agreements are determined by an indexed formula that is based on the earnings of the respective life insurance policies. Under two of the Agreements, benefits are payable upon retirement with a portion of the benefits being paid over 10 years and the other portion being paid over the remaining life of the officer. The other two Agreements pay a set dollar amount over the remaining life of the officer. The life insurance on each officer is being provided by an Endorsement Split Dollar Plan whereby the Bank endorses 100% of the net-at-risk life insurance portion for payment to the designated beneficiary of the respective officer. The policies and their entire surrender values are owned by the Bank.

The estimated costs of funding the Agreements are being accrued over the respective officers' period of service from inception of the Agreement to retirement. Two of the Agreements were entered into in 1996 and the other two in 2003. In 1996, $575,000 of premiums were paid to fund the life insurance policies for the first two Agreements, and $850,000 was paid to fund the life insurance policy on the third and fourth Agreements and revise the Agreements in 2003. Payments are being made under three of the Agreements.

These agreements are not "qualified plans" under the Internal Revenue Code of 1986 and, therefore, tax deductions are allowed only when benefits are paid. Deferred taxes are recognized on the accrued income and expenses of the Agreement and are included with other liabilities and accrued expenses in the accompanying financial statements. Should the insurance contracts be surrendered prior to maturity, (death of the insured), the proceeds representing taxable earnings would be currently taxable.

NOTE 8 - DEFERRED COMPENSATION - CONTINUED

The Bank accrued approximately $7,000 and $16,000 of benefit expense and recognized approximately $75,000 of income, net of insurance costs, on the life insurance policies in both 2020 and 2019. The liability for benefits was approximately $557,000 and $598,000 at December 31, 2020 and 2019, respectively, and is included in other liabilities on the accompanying consolidated balance sheet. The cash surrender value of the life insurance policies was approximately $2,863,000 and $2,788,000 at December 31, 2020 and 2019, respectively.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Bank has a 401(k) plan covering substantially all employees. The Bank matches 100% of each employee's contribution up to 5% of the employee's salary. Matching contributions were approximately $178,000 and $163,000 for 2020 and 2019, respectively.

NOTE 10 - INCOME TAXES

At December 31, 2020 and 2019 the Bank had a net deferred tax asset (liability) of approximately $(34,000) and $32,000, respectively, which is included in other liabilities and accrued expenses on the accompanying consolidated balance sheet. The tax effects of the application of a 21% statutory rate in 2020 and 2019, respectively, on the following temporary differences which gave rise to the net deferred assets (liabilities) are as follows:

	DECEMBER 31,	
	2020	2019
Deferred Tax Assets (Liabilities):		
Unrealized (gain) loss on available-for-sale investment securities	$ (570 000)	$ (248 000)
Deferred compensation	117 000	126 000
Depreciable assets	(109 000)	(167 000)
Allowance for loan losses	814 000	711 000
Cash surrender value of life insurance	(307 000)	(292 000)
Other	21 000	(98 000)
	$ (34 000)	$ 32 000

The approximate provision for federal income taxes from operations for the years ended consists of the following:

	DECEMBER 31,	
	2020	2019
Current tax expense at 21%	$ 1 317 000	$ 1 246 000
Deferred tax expense (benefit)	(256 000)	-
	$ 1 061 000	$ 1 246 000

The following reconciliation provides an analysis of the reasons for the variation between income tax expense allocated to operations and the expected provision on pretax income for the years ended:

	DECEMBER 31,	
	2020	2019
Expected tax provision on pretax income at 21%	$ 1 213 000	$ 1 411 000
Effect of Permanent Differences at 21%:		
Tax-exempt interest income	(148 000)	(169 000)
Other	(4 000)	4 000
	$ 1 061 000	$ 1 246 000

NOTE 11 - RENTAL INCOME

The Bank receives rental income from various operating leases for office space on its premises. Income from these leases approximated $355,000 and $352,000 in 2020 and 2019, respectively. Rental income for each of the next five years is expected to approximate $325,000 - $350,000. Rental income is included with occupancy expenses on the accompanying consolidated statements of income.

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to various financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets. The contract amounts of these instruments reflect the extent of the Bank's involvement in particular classes of financial instruments. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of the instruments. The Bank uses the same credit policies in making these commitments and conditional obligations as it does for on-balance-sheet instruments.

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK - CONTINUED

The following is a summary of the various financial instruments entered into by the Bank as of December 31, 2020 and 2019:

		2020		2019
Financial Instruments Whose Approximate Contract Amounts Represent Credit Risk:				
Commitments to extend credit	$	42 397 000	$	35 845 000
Standby letters of credit	$	164 000	$	306 000

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 fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but largely consists of real estate, deposits, equipment, and inventory.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers. Some letters of credit are unsecured; however, most are secured by financial instruments, deposits, equipment, and real estate.

NOTE 13 - CONCENTRATION OF CREDIT RISK

The Bank grants agribusiness, commercial, consumer and residential loans to customers primarily located in Walker County, Madison County, Houston County, Leon County, Trinity County, Brazos County and Robertson County, Texas. The Bank also owns debt securities issued by local governments of these counties. The economy of these counties is primarily characterized by agriculture and state government. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is primarily dependent upon the economy of these areas.

The Bank periodically carries certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed Federal deposit insurance limits. From time to time, the Bank is also due amounts in excess of FDIC insurance limits for checks and transit items. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Bank.

NOTE 14 - CAPITAL AND REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum regulatory capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements.

For the year ended December 31, 2020:

In 2019, the Economic Growth, Regulatory Relief, and Consumer Protection Act was passed. The Act included provisions for the Community Bank Leverage Ratio (CBLR) which is an alternative capital framework designed to reduce regulatory burden by removing the requirements for calculating and reporting risk-based capital ratios for banking organizations holding less than $10 billion in assets and meeting certain criteria. The Bank opted in to the framework for the year ended December 31, 2020. Qualifying community banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% are considered to have satisfied the risk-based and leverage capital requirement in the agencies' generally applicable capital rule.

In response to the global pandemic caused by Covid-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on May 27, 2020. As a result of this legislation, the agencies issued two interim final rules that modified the CBLR framework so that, beginning in the second quarter of 2020 and until December 31, 2020, a banking organization that has a leverage ratio of 8% or greater and meets certain other criteria may elect to use the CBLR framework. Additionally, said organization will have until January 1, 2022, before the CBLR requirement is re-established at greater than 9%. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the Bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

	Actual			Minimum Capital Required Under Community Bank Leverage Ratio Framework to be Well Capitalized		
		Amount	Ratio		Amount	Ratio
As of December 31, 2020:						
Tier I Capital (to Average Assets)	$	58 209 000	11.27%	$	41 307 000	≥ 8.00%

Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

NOTE 14 - CAPITAL AND REGULATORY MATTERS

For the year ended December 31, 2019:

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

As of December 31, 2019, the most recent notification from the FDIC categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To remain categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as disclosed in the table. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

In July 2013, the Federal Reserve Bank published final rules for the adoption of the Basel III regulatory capital framework (the "Basel III Capital Rules"). The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1", (ii) specify that Tier 1 capital consist of Common Equity Tier 1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define Common Equity Tier 1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to Common Equity Tier 1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments as compared to existing regulations.

The Basel III Capital rules became effective for the Bank on January 1, 2015 with certain transition provisions fully phased in on January 1, 2019.

The Bank's actual and required capital amounts and ratios are also presented in the tables below (presented in thousands):

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES:		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS:	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2019:						
Total Capital (to Risk Weighted Assets)	$ 58 491 000	23.80%	$ 25 802 000	>10.50%	$ 24 573 000	> 10.0%
Tier I Capital (to Risk Weighted Assets)	$ 55 398 000	22.54%	$ 20 887 000	> 8.50%	$ 19 659 000	> 8.0%
Tier I Capital (to Average Assets)	$ 55 398 000	11.92%	$ 18 595 000	> 4.00%	$ 23 244 000	> 5.0%
Common Equity Tier I Capital (to Risk Weighted Assets)	$ 55 398 000	22.54%	$ 17 201 000	> 7.00%	$ 15 973 000	> 6.5%

The above risk-weighted capital ratios for capital adequacy purposes include a 2.50% capital conservation buffer as of December 31, 2019. The capital conservation buffer is fully phased in at December 31, 2019 to 2.50%. Financial institutions with a buffer greater than 2.50% (2019) are not subject to limits on capital distributions or discretionary bonus payments beyond those currently included in regulations.

A bank determines its capital conservation buffer by subtracting the minimum regulatory capital ratios (net of the conservation buffer) from actual risk-based capital ratios. The capital buffer is the lowest of the three results. As reflected above, the Bank's capital was sufficient to exceed its minimum regulatory capital requirements, including the required capital conservation buffer.

Dividends

The Bank is subject to regulatory limitations on the amount of dividends it may pay. At December 31, 2020, approximately $9,299,000 was available for payment of dividends without obtaining prior regulatory approval. The amount available is based on the current year to date earnings retained plus the previous two years retained income.

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Professional accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets.

FASB ASC 820, *Fair Value Measurements and Disclosures*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

Level 1 — Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Professional accounting standards exclude certain financial instruments and all non-financial instruments from disclosure requirements.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Investment Securities - Fair values for investment securities are based on quoted market prices, where available (Level 1). If quoted market prices are not available, fair values are based on discounted cash flow analysis based on observable inputs, which includes market quotes for similar instruments, current market yields and offering sheets (Level 2). The carrying amount of accrued interest approximates its fair value.

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

	2020			
	FIRST NATIONAL BANK HUNTSVILLE			
	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
U. S. government bonds	$ 22 203 750	$ 22 203 750	$ -	$ -
Obligations of U.S. government agencies	-	-	-	-
Municipal securities	66 911 971	-	66 911 971	-
Mortgage-backed securities and collateralized mortgage obligations	84 047 201	-	84 047 201	-
	$ 173 162 922	$ 22 203 750	$ 150 959 172	$ -

	2019			
	FIRST NATIONAL BANK HUNTSVILLE			
	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
U. S. government bonds	$ 75 835 509	$ 75 835 509	$ -	$ -
Obligations of U.S. government agencies	11 413 516	-	11 413 516	-
Municipal securities	27 351 438	-	27 351 438	-
Mortgage-backed securities and collateralized mortgage obligations	69 150 337	-	69 150 337	-
	$ 183 750 800	$ 75 835 509	$ 107 915 291	$ -

Each major category of assets and liabilities presented on the consolidated balance sheets measured at fair value on a nonrecurring basis during the period are presented as follows:

		FAIR VALUE MEASUREMENTS USING			
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL GAINS (LOSSES)
Goodwill	$ 5 108 175	$ -	$ 5 108 175	$ -	$ -

Fair value of goodwill is determined on a nonrecurring basis in order to determine if any impairment existed at December 31, 2020 or 2019. In order to estimate the fair value, the Bank uses observable inputs such as values of similar entities (goodwill) and published selling prices for other entities.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2020 and 2019. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been significantly revalued for purposes of these financial statements since that date, and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

NOTE 16 - TRUST ASSETS

Trust assets and other property (except cash deposits), held by the Bank in agency or other fiduciary capacities for its customers, are not included in the financial statements since they are not assets of the Bank. Market value of the trust assets at December 31, 2020 and 2019, respectively, was approximately $148,000,000 and $136,000,000.

NOTE 17 - COMPONENTS OF OTHER COMPREHENSIVE INCOME

The following table presents the components of other comprehensive income (loss) for the years ended December 31, 2020 and 2019.

	YEARS ENDED					
	DECEMBER 31, 2020			DECEMBER 31, 2019		
(DOLLARS IN THOUSANDS)	BEFORE TAX	TAX EFFECT	NET OF TAX	BEFORE TAX	TAX EFFECT	NET OF TAX
Changes in net unrealized gains on securities available for sale	$ 1 532 409	$ 321 806	$ 1 210 603	$ 1 460 625	$ 306 730	$ 1 153 895
OTHER COMPREHENSIVE INCOME (LOSS)	$ 1 532 409	$ 321 806	$ 1 210 603	$ 1 460 625	$ 306 730	$ 1 153 895

The following table presents the changes in each component of accumulated other comprehensive income, net of tax, for the years ended December 31, 2020 and 2019.

(DOLLARS IN THOUSANDS)	SECURITIES AVAILABLE FOR SALE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance at December 31, 2018	$ (221 822)	$ (221 822)
Other comprehensive income	1 153 895	1 153 895
Balance at December 31, 2019	932 073	932 073
Other comprehensive income	1 210 603	1 210 603
Balance at December 31, 2020	$ 2 142 676	$ 2 142 676

AXLEY & RODE LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Directors
First National Bancshares
of Huntsville, Inc. and Subsidiary

We have audited the financial statements of First National Bancshares of Huntsville, Inc. and Subsidiary as of and for the years ended December 31, 2020 and 2019, and our report thereon dated April 13, 2021, which expressed an unmodified opinion on those financial statements, appears on page 3. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The following Consolidating Balance Sheets and Consolidating Statements of Income are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements taken as a whole.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 13, 2021

www.axleyrode.com

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2020

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2020
ASSETS				
Cash and Due from Banks:				
Noninterest-bearing	$ 5 056 540	$ 34 730	$ (34 730)	$ 5 056 540
Interest-bearing	97 423 456	-	-	97 423 456
	102 479 996	34 730	(34 730)	102 479 996
Available for sale - Debt securities, at fair value	173 162 922	-	-	173 162 922
Investment in subsidiary	-	65 460 354	(65 460 354)	-
Loans, net of allowance	240 380 974	-	-	240 380 974
Nonmarketable equity securities	1 128 335	-	-	1 128 335
Bank premises and equipment, net	7 990 062	-	-	7 990 062
Goodwill	5 108 175	-	-	5 108 175
Cash value life insurance	2 862 524	-	-	2 862 524
Accrued interest receivable	1 685 493	-	-	1 685 493
Other assets	381 307	-	-	381 307
TOTAL ASSETS	$ 535 179 788	$ 65 495 084	$ (65 495 084)	$ 535 179 788
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	$ 165 086 157	$ -	$ (34 730)	$ 165 051 427
Interest-bearing	302 776 595	-	-	302 776 595
TOTAL DEPOSITS	467 862 752	-	(34 730)	467 828 022
Accrued interest payable	115 223	-	-	115 223
Other liabilities and accrued expenses	1 741 459	22 005	-	1 763 464
TOTAL LIABILITIES	469 719 434	22 005	(34 730)	469 706 709
Stockholders' Equity:				
Common stock	1 486 078	1 536 240	(1 486 078)	1 536 240
Capital surplus	7 792 364	18 830 668	(7 792 364)	18 830 668
Retained earnings	54 039 236	43 033 253	(54 039 236)	43 033 253
Treasury stock	-	(69 758)	-	(69 758)
Accumulated other comprehensive income (loss)	2 142 676	2 142 676	(2 142 676)	2 142 676
TOTAL STOCKHOLDERS' EQUITY	65 460 354	65 473 079	(65 460 354)	65 473 079
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 535 179 788	$ 65 495 084	$ (65 495 084)	$ 535 179 788

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2020

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2020
Interest Income:				
Loans, including fees	$ 13 595 548	$ -	$ -	$ 13 595 548
Debt securities	3 323 578	-	-	3 323 578
Equity securities	44 725	-	-	44 725
Deposits in banks	149 619	-	-	149 619
TOTAL INTEREST INCOME	17 113 470	-	-	17 113 470
Interest Expense:				
Deposits	2 064 732	-	-	2 064 732
Other	7	-	-	7
TOTAL INTEREST EXPENSE	2 064 739	-	-	2 064 739
NET INTEREST INCOME	15 048 731	-	-	15 048 731
Provision for loan losses	499 963	-	-	499 963
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14 548 768	-	-	14 548 768
Other Income:				
Service fees	2 338 657	-	-	2 338 657
Fiduciary fees	650 839	-	-	650 839
Other	184 620	-	-	184 620
Equity in earnings of subsidiary	-	4 726 347	(4 726 347)	-
TOTAL OTHER INCOME	3 174 116	4 726 347	(4 726 347)	3 174 116
Other Expenses:				
Salaries and other employee benefits	6 512 285	-	-	6 512 285
Occupancy expenses, net	829 306	-	-	829 306
Equipment expense	676 825	-	-	676 825
Data processing expense	1 731 101	-	-	1 731 101
Professional fees	359 683	12 664	-	372 347
Postage, stationery, and supplies	274 587	-	-	274 587
FDIC insurance	110 000	-	-	110 000
Other	1 441 830	-	-	1 441 830
TOTAL OTHER EXPENSES	11 935 617	12 664	-	11 948 281
Income before Federal income taxes	5 787 267	4 713 683	(4 726 347)	5 774 603
Federal income taxes	1 060 920	-	-	1 060 920
NET INCOME	$ 4 726 347	$ 4 713 683	$ (4 726 347)	$ 4 713 683

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2019

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2019
ASSETS				
Cash and Due from Banks:				
Noninterest-bearing	$ 4 211 578	$ 51 950	$ (51 950)	$ 4 211 578
Interest-bearing	28 481 075	-	-	28 481 075
	32 692 653	51 950	(51 950)	32 692 653
Available for sale - Debt securities, at fair value	183 750 800	-	-	183 750 800
Investment in subsidiary	-	61 438 654	(61 438 654)	-
Loans, net of allowance	249 794 021	-	-	249 794 021
Nonmarketable equity securities	1 117 835	-	-	1 117 835
Bank premises and equipment, net	8 488 192	-	-	8 488 192
Goodwill	5 108 175	-	-	5 108 175
Cash value life insurance	2 788 016	-	-	2 788 016
Accrued interest receivable	1 780 334	-	-	1 780 334
Other assets	312 571	-	-	312 571
TOTAL ASSETS	$ 485 832 597	$ 61 490 604	$ (61 490 604)	$ 485 832 597
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	$ 139 816 726	$ -	$ (51 950)	$ 139 764 776
Interest-bearing	283 003 706	-	-	283 003 706
TOTAL DEPOSITS	422 820 432	-	(51 950)	422 768 482
Accrued interest payable	179 816	-	-	179 816
Other liabilities and accrued expenses	1 393 695	20 079	-	1 413 774
TOTAL LIABILITIES	424 393 943	20 079	(51 950)	424 362 072
Stockholders' Equity:				
Common stock	1 486 078	1 536 240	(1 486 078)	1 536 240
Capital surplus	7 792 364	18 830 668	(7 792 364)	18 830 668
Retained earnings	51 228 139	40 241 302	(51 228 139)	40 241 302
Treasury stock	-	(69 758)	-	(69 758)
Accumulated other comprehensive income (loss)	932 073	932 073	(932 073)	932 073
TOTAL STOCKHOLDERS' EQUITY	61 438 654	61 470 525	(61 438 654)	61 470 525
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 485 832 597	$ 61 490 604	$ (61 490 604)	$ 485 832 597

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2019

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2019
Interest Income:				
Loans, including fees	$ 13 176 982	$ -	$ -	$ 13 176 982
Debt securities	3 868 476	-	-	3 868 476
Equity securities	50 796	-	-	50 796
Deposits in banks	524 338	-	-	524 338
TOTAL INTEREST INCOME	17 620 592	-	-	17 620 592
Interest Expense:				
Deposits	2 280 573	-	-	2 280 573
Other	-	-	-	-
TOTAL INTEREST EXPENSE	2 280 573	-	-	2 280 573
NET INTEREST INCOME	15 340 019	-	-	15 340 019
Provision for loan losses	299 963	-	-	299 963
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	15 040 056	-	-	15 040 056
Other Income:				
Service fees	2 582 201	-	-	2 582 201
Fiduciary fees	597 576	-	-	597 576
Other	208 751	-	-	208 751
Equity in earnings of subsidiary	-	5 469 870	(5 469 870)	-
TOTAL OTHER INCOME	3 388 528	5 469 870	(5 469 870)	3 388 528
Other Expenses:				
Salaries and other employee benefits	6 337 301	-	-	6 337 301
Occupancy expenses, net	821 450	-	-	821 450
Equipment expense	709 780	-	-	709 780
Data processing expense	1 550 271	-	-	1 550 271
Professional fees	413 805	8 361	-	422 166
Postage, stationery, and supplies	297 344	-	-	297 344
FDIC insurance	103 500	-	-	103 500
Other	1 479 678	-	-	1 479 678
TOTAL OTHER EXPENSES	11 713 129	8 361	-	11 721 490
Income before Federal income taxes	6 715 455	5 461 509	(5 469 870)	6 707 094
Federal income taxes	1 245 585	-	-	1 245 585
NET INCOME	$ 5 469 870	$ 5 461 509	$ (5 469 870)	$ 5 461 509

See independent auditors' report on additional information.

First National Bancshares of Huntsville, Inc.

First National Bank
of Huntsville

Crockett Bank
A Division of First National Bank of Huntsville

The Bank of Madisonville
A Division of First National Bank of Huntsville

Robertson County Bank
A Division of First National Bank of Huntsville

Brazos County Bank
A Division of First National Bank of Huntsville

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