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, Lori Sirman
Name of the Holding Company Director and Official

CEO/President/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.

Lori Sirman
Signature of Holding Company Director and Official

03/26/2021
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

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

December 31, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

BT Holdings, Inc.
Legal Title of Holding Company

P.O. Box 1675
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Quitman	TX	75783

412 E. Goode St., Quitman, TX 75783
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Dylan Thomas	VP-Finance/Accounting

903-252-1069
Area Code / Phone Number / Extension

903-561-8585
Area Code / FAX Number

Dylan.Thomas@BTHBank.com
E-mail Address

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

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

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

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

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

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

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City | State | Zip Code

Physical Location (if different from mailing address)

BT HOLDINGS, INC.

FORM FR Y-6

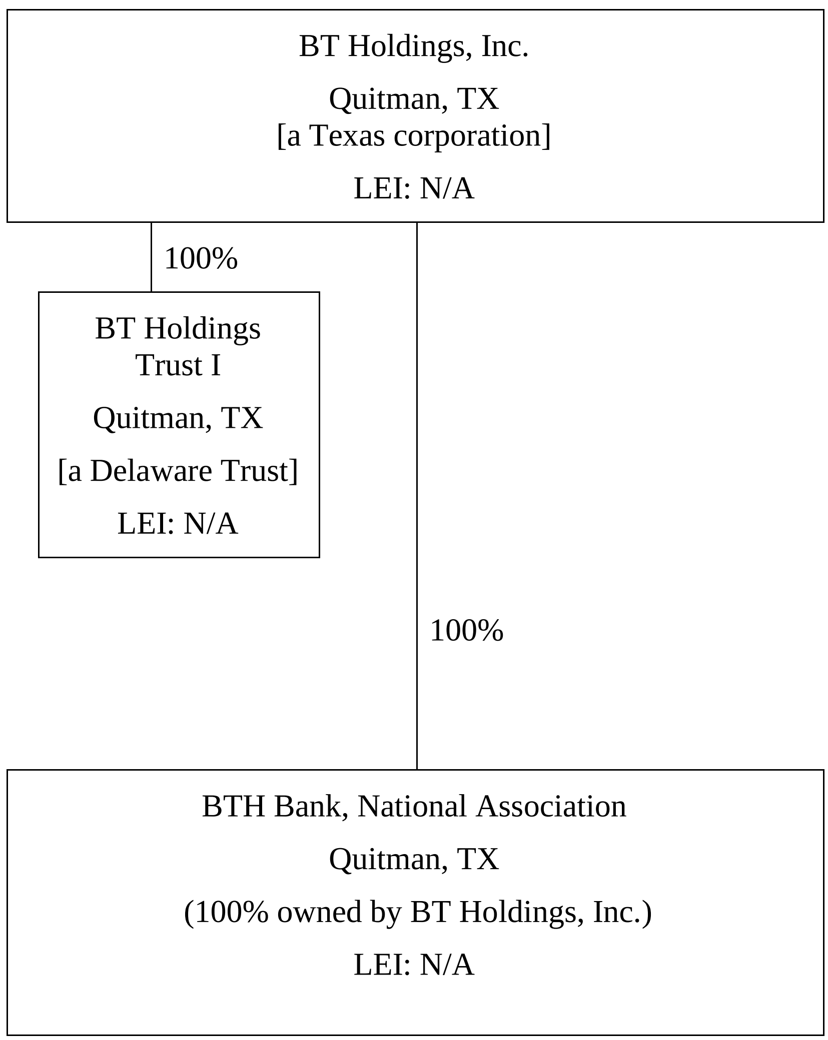
December 31, 2020

REPORT ITEM 1:

See December 31, 2020 Annual Report attached.

REPORT ITEM 2a:

Organizational Chart



REPORT ITEM 2B:

Branch Listing – See Branch Listing attached

Results: A list of branches for your depository institution: BTH BANK NATIONAL ASSOCIATION (ID_RSSD: 24668).
This depository institution is held by BT HOLDINGS, INC. (3488681) of QUITMAN, 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)	24668	BTH BANK NATIONAL ASSOCIATION	412 E GOODE ST	QUITMAN	TX	75783	WOOD	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	4640468	CARTHAGE BRANCH	606 WEST PANOLA	CARTHAGE	TX	75633	PANOLA	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	5010237	DALLAS BRANCH	6925 PRESTON RD	DALLAS	TX	75205	DALLAS	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	5213430	FORT WORTH BRANCH	5001 EL CAMPO AVENUE	FORT WORTH	TX	76107	TARRANT	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	4957988	HENDERSON BRANCH	1580 US 79 SOUTH	HENDERSON	TX	75654	RUSK	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	3394791	HOLLY LAKE BRANCH	2365 S FM 2869	HOLLY LAKE RANCH	TX	75765	WOOD	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	5010246	KILGORE BRANCH	205 N KILGORE ST	KILGORE	TX	75662	GREGG	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	3872589	LINDALE BANK STORE BRANCH	3222 SOUTH MAIN, BUILDING A	LINDALE	TX	75771	SMITH	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	5010255	LONGVIEW BRANCH	3805 N SPUR 63	LONGVIEW	TX	75605	GREGG	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	5166349	MCKINNEY BRANCH	2550 ELDORADO PARKWAY	MCKINNEY	TX	75070	COLLIN	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	1959253	MINEOLA BRANCH	1825 N PACIFIC ST	MINEOLA	TX	75773	WOOD	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	4890021	PLANO BRANCH	1801 PRESTON RD., SUITE C	PLANO	TX	75093	COLLIN	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	
OK		Full Service	4284497	TYLER BRANCH	6657 OLD JACKSONVILLE HWY	TYLER	TX	75703	SMITH	UNITED STATES	Not Required	Not Required	BTH BANK NATIONAL ASSOCIATION	24668	

Form FR Y-6

BT Holdings, Inc.
Quitman, TX 75783
Fiscal Year Ending December 31, 2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2020		
(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
BT Holdings, Inc. Employee Stock Ownership Plan Quitman, TX	USA	552,800 Shares 5.31%	None	N/A	N/A
Voting trustees: David Moor Fort Worth, TX	USA				
Lauren Wheeler Dallas, TX	USA				
Matt Pollard Tyler, TX	USA				
Cindy Simmons Tyler, TX	USA				
Jason McCrary Tyler, TX	USA				

Form FR Y-6

BT Holdings, Inc.
Quitman, TX 75783
Fiscal Year Ending December 31, 2020

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

(1) Names & Address (City, State, Country)	**(2)** Principal Occupation if other than with holding company	**(3)(a)** Title & Position with holding company	**(3)(b)** Title & Position with Subsidiaries (include names of subsidiaries)	**(3)(c)** Title & Position with Other Businesses (include names of other businesses)	**(4)(a)** Percentage of Voting Securities in holding company	**(4)(b)** Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	**(4)(c)** List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Lori Sirman Tyler, TX	banker	CEO, President & Director	CEO, President & Director - BTH Bank	N/A	0.53%	0.00%	N/A
Jay Dyer Dallas, TX	banker	Advisory Director	EVP, Advisory Director - BTH Bank	President - SBSPBL, LP President - AJJLB, Inc. Manager/Member - Burnt Orange Purple, LLC	0.24%	0.00%	SBSPBL, LP - 33% AJJLB, Inc. - 33% Burnt Orange Purple, LLC - 50%
Jason McCrary Tyler, TX	banker	Secretary/Treasurer	Senior Vice President/CFO - BTH Bank	N/A	0.04%	0.00%	N/A
Gary Cornelius Tyler, TX	retired banking regulator	Director	Director - BTH Bank	N/A	0.01%	0.00%	N/A
Richard Roberts Quitman, TX	attorney	Director	Director - BTH Bank	Attorney - Richard Roberts Atty at Law Manager/Member - GTT Farms LLC Manager/Member - Dry Creek Series, LLC Manager/Member - Lane @ Main, LLC	0.67%	0.00%	Richard Roberts, Attorney at Law - 50% GTT Farms LLC - 50% Dry Creek Series, LLC - 50% Lane @ Main, LLC - 50%
Ben J. Kerr, III Quitman, TX	retired attorney	Director	Director - BTH Bank	N/A	0.51%	0.00%	N/A
Marshall Mitchell Longview, TX	retired banking regulator	Director	Director - BTH Bank	N/A	0.31%	0.00%	N/A
William L. Adamson, III Kilgore, TX	businessman	Director	Director - BTH Bank	President-Sabine Pipe, Inc. Member - Adamson Energy, LLC Member - Twenty Nine Ventures, LLC Member - Adamson Investmentartnership, LLC Member - WTX Investment, LLC	0.40%	0.00%	Sabine Pipe - 60% Adamson Energy LLC - 50% Twenty Nine Ventures LLC - 50% Adamson Investment Partnership LLC- 50% WTX Investment, LLC - 50%
Beth Medlin Quitman, TX	businesswoman	Director	Director - BTH Bank	Secretary/Treasurer-Medlin Electric, Inc.	0.23%	0.00%	Medlin Electric, Inc. - 26%
Donna James Mineola, TX	retired banker	Director	Director - BTH Bank	N/A	0.10%	0.00%	N/A

B. T. HOLDINGS, INC. AND SUBSIDIARY

QUITMAN, TEXAS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

B. T. HOLDINGS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the
Board of Directors of
B.T. Holdings, Inc.
Quitman, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of B.T. Holdings, Inc. and subsidiary (a Texas corporation), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Consolidating Information in Schedules I, II and III

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in schedules I, II and III is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Internal Control over Financial Reporting

We also have audited in accordance with auditing standards generally accepted in the United States of America, BTH Bank's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, and our report dated March 18, 2021 expressed an unqualified opinion.

Henry & Peters, P.C.

Tyler, Texas
March 18, 2021

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	$ 282,499,419	$ 48,404,761
Investment securities available-for-sale	373,727,799	378,467,259
Loans, net of allowance	1,281,512,554	1,329,549,569
Loans held for sale	1,725,811	-
Premises and equipment, net	18,955,318	19,398,547
Other real estate owned	200,000	200,000
Restricted equity securities, at cost	5,871,653	5,862,253
Accrued interest receivable	6,665,080	6,990,057
Goodwill	14,191,449	14,191,449
Other assets	1,843,527	2,736,400
Total assets	$ 1,987,192,610	$ 1,805,800,295
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing deposits	$ 344,561,977	$ 240,244,464
Interest-bearing deposits	1,364,304,837	1,288,802,067
Total deposits	1,708,866,814	1,529,046,531
Securities sold under repurchase agreements	4,768,331	3,040,329
Junior subordinated debentures	7,217,000	7,217,000
Notes payable	56,391,767	58,081,589
Accrued interest payable	1,165,353	2,406,846
Other liabilities	1,935,562	1,677,130
Total liabilities	1,780,344,827	1,601,469,425
Stockholders' equity:		
Common stock $1 par, 15,000,000 shares authorized, 11,958,141 and 11,643,489 shares issued,10,407,783 and 10,762,719 shares outstanding	11,958,141	11,643,489
Additional paid-in-capital	145,529,968	141,241,973
Retained earnings	75,812,272	69,005,412
Treasury stock, 1,550,358 and 880,770 shares, at cost	(34,603,531)	(18,290,295)
KSOP commitment	(4,367,985)	(4,343,508)
Accumulated other comprehensive income	12,518,918	5,073,799
Total stockholders’ equity	206,847,783	204,330,870
Total liabilities and stockholders' equity	$ 1,987,192,610	$ 1,805,800,295

See accompanying notes to
consolidated financial statements.

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 65,230,622	$ 74,162,344
Interest on investment securities:		
Taxable	1,475,345	1,294,206
Tax-exempt	5,371,462	6,464,114
Dividend income on restricted equity securities	314,836	619,698
Other	280,613	1,931,386
Total interest and dividend income	72,672,878	84,471,748
INTEREST EXPENSE		
Interest on deposits	16,075,516	23,252,461
Interest on promisssory notes	2,310,957	3,114,477
Interest on junior subordinated debentures	174,198	286,798
Interest on Federal Home Loan Bank Advances	3	1,756,880
Interest on other borrowings	517,351	2,786
Other	1,033	887
Total interest expense	19,079,058	28,414,289
Net interest income	53,593,820	56,057,459
PROVISION FOR LOAN LOSSES	12,115,000	4,890,000
Net interest income after provision for loan losses	41,478,820	51,167,459
OTHER INCOME		
Service charges and fees on deposits	2,071,261	1,947,594
Other income	409,960	807,277
Total other income	2,481,221	2,754,871
OTHER EXPENSES		
Salaries and employee benefits	13,208,988	13,515,057
Occupancy and equipment expense	3,858,639	3,515,786
Other expenses	6,565,530	6,223,432
Total other expenses	23,633,157	23,254,275
Earnings before provision for federal income taxes	20,326,884	30,668,055
PROVISION FOR FEDERAL INCOME TAXES		
Federal income tax expense	3,112,390	5,241,497
NET EARNINGS	$ 17,214,494	$ 25,426,558
Earnings per share:		
Basic	$ 1.66	$ 2.34
Diluted	$ 1.58	$ 2.23

See accompanying notes to
consolidated financial statements.

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET EARNINGS	$ 17,214,494	$ 25,426,558
Other comprehensive income, net of tax:		
Unrealized holding gains on available-for-sale securities arising during the year	7,506,836	13,573,710
Reclassification adjustment for amounts realized on securities sales included in net earnings	(61,717)	(370,356)
Total other comprehensive income, net of tax	7,445,119	13,203,354
TOTAL COMPREHENSIVE INCOME	$ 24,659,613	$ 38,629,912

See accompanying notes to
consolidated financial statements.

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Total	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	KSOP Commitment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	$183,639,032	$11,398,845	$138,036,194	$54,561,990	$ (8,878,146)	$(3,350,296)	$ (8,129,555)
Net earnings	25,426,558	-	-	25,426,558	-	-	-
KSOP commitment	(993,212)	-	-	-	-	(993,212)	-
Exercise of stock options	2,533,168	244,644	2,288,524	-	-	-	-
Dividends on common stock	(10,983,136)	-	-	(10,983,136)	-	-	-
Purchase of 382,830 shares of treasury stock	(9,412,149)	-	-	-	(9,412,149)	-	-
Stock based compensation expense	917,255	-	917,255	-	-	-	-
Other comprehensive income, net of tax	13,203,354	-	-	-	-	-	13,203,354
Balance at December 31, 2019	204,330,870	11,643,489	141,241,973	69,005,412	(18,290,295)	(4,343,508)	5,073,799
Net earnings	17,214,494	-	-	17,214,494	-	-	-
KSOP commitment	(24,477)	-	-	-	-	(24,477)	-
Exercise of stock options	3,637,772	314,652	3,323,120	-	-	-	-
Dividends on common stock	(10,407,634)	-	-	(10,407,634)	-	-	-
Purchase of 669,588 shares of treasury stock	(16,313,236)	-	-	-	(16,313,236)	-	-
Stock based compensation expense	964,875	-	964,875	-	-	-	-
Other comprehensive income, net of tax	7,445,119	-	-	-	-	-	7,445,119
Balance at December 31, 2020	$206,847,783	$11,958,141	$ 145,529,968	$75,812,272	$(34,603,531)	$ (4,367,985)	$ 12,518,918

See accompanying notes to
consolidated financial statements.

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 17,214,494	$ 25,426,558
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation expense	1,480,385	1,296,631
Net gain on sale of securities	(61,716)	(370,356)
Net gain on sale and disposal of premises and equipment	(9,820)	-
Provision for loan losses	12,115,000	4,890,000
Net loss on sales and write-downs of other real estate and other assets	-	62,000
Net amortization of investment premium and discount	3,056,467	3,422,704
Stock based compensation expense	964,875	917,255
Originations of loans held for sale	(92,917,749)	(54,934,277)
Proceeds from sales of loans	89,985,287	55,033,585
Net gains included in earnings, from loans held for sale	1,206,650	273,042
Decrease/(increase) in other assets	659,145	(164,807)
(Increase)/decrease in federal income tax receivable	(1,338,463)	521,497
Decrease in accrued interest receivable	324,977	3,423,218
Decrease in accrued interest payable	(1,241,494)	(589,133)
Decrease in other liabilities	(148,458)	(5,663)
Net cash provided by operating activities	31,289,580	39,202,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of premises and equipment	(1,070,336)	(743,949)
Proceeds from sales of premises and equipment	43,000	-
Purchase of investment securities available-for-sale	(3,564,190,302)	(2,288,784,690)
Net (increase) decrease in restricted equity securities	(9,400)	14,701,200
Proceeds from sales, maturities, calls and paydowns of securities available-for-sale	3,575,359,212	2,434,977,695
Net decrease (increase) in loans	35,922,015	(46,211,350)
Proceeds from sales of other real estate and other assets	-	974,956
Net cash provided by investing activities	46,054,189	114,913,862
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in non-interest bearing deposits	104,317,512	(9,703,871)
Net increase in interest-bearing deposits	75,502,770	99,405,189
Net increase (decrease) in securities sold under agreements to repurchase	1,728,002	(664,986)
Repayments of KSOP note payable	(872,340)	(1,526,807)
Change in KSOP commitment	(24,477)	(993,212)
Proceeds from other notes payable	8,332,520	5,673,100
Repayments of other notes payable	(1,000,000)	-
Proceeds from FRB Discount Window advances	1,000,000	-
Repayment of FRB Discount Window advances	(1,000,000)	-
Proceeds from FHLB advances	1,000,000	666,000,000
Repayments of FHLB advances	(1,000,000)	(906,000,000)
Proceeds from exercise of stock options	3,637,772	2,533,168
Issuance of subordinated promissory notes	-	3,500,000
Retirement of subordinated promissory notes	(8,150,000)	-
Purchase of treasury stock	(16,313,236)	(9,412,149)
Dividends paid	(10,407,634)	(10,983,136)
Net cash provided by (used in) financing activities	156,750,889	(162,172,704)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	234,094,658	(8,056,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	48,404,761	56,461,349
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 282,499,419	$ 48,404,761
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Net change in unrealized gains/losses on securities available-for-sale	$ 7,445,119	$ 13,203,354
Increase in KSOP commitment	$ 24,477	$ 993,212
Net assets acquired through foreclosure	$ -	$ 936,956
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 19,079,058	$ 29,003,421
Cash paid for Federal income taxes	$ 4,450,854	$ 4,720,000

See accompanying notes to
consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of the consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of B. T. Holdings, Inc. (Company) and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

NATURE OF OPERATIONS

B. T. Holdings, Inc. and its subsidiary, BTH Bank, N. A. (Bank), provide banking services to consumers and commercial customers in Quitman, Holly Lake Ranch, Mineola, Tyler, Longview, Lindale, Kilgore, Carthage, Henderson, Dallas, Plano, McKinney, and Fort Worth, Texas, and the surrounding areas.

The Company owns 100% of the common securities of the Delaware statutory trust (Trust Common Securities) formed by the Company for the sole purpose of issuing the mandatorily redeemable preferred securities (see Note 12).

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The Company's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets.

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 local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company 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 estimated losses on loans may change materially in the near term; however, the amount of the change that is reasonably possible cannot be estimated.

Other significant estimates include the estimates of the fair value of investments held as available-for-sale and the estimate of stock compensation expense.

CASH EQUIVALENTS

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents are defined as cash and due from banks. Net cash flows are reported for loan and deposit transactions, and short-term borrowings with initial maturities less than 90 days.

INVESTMENT SECURITIES

Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. The Company had no securities classified as held-to-maturity for the years ending December 31, 2020 and 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INVESTMENT SECURITIES - CONTINUED

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

RESTRICTED EQUITY SECURITIES

The Company is a member of the Federal Reserve Bank (FRB) and the Federal Home Loan Bank (FHLB) systems. Members of the FHLB system are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. The Company also owns stock in the Independent Bankers Financial Corporation (IBFC) and the Fannie Mae system. FHLB, FRB and IBFC stock are carried at cost, classified as restricted securities, and periodically reviewed for impairment based on the likelihood of ultimate recovery of par value.

LOANS HELD FOR SALE

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

LOANS

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses, and any unamortized premiums or discounts on purchased loans. Direct loan costs are charged to expense when paid, which approximates the results of deferral and amortization of such expenses.

PPP AND CARES ACT DEFERRALS

In response to the global pandemic involving the novel strain of coronavirus (COVID-19), the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020. Among the provision of the CARES Act was the authorization of the U. S. Small Business Administration (SBA) to create a Paycheck Protection Program (PPP) lending facility. PPP loans carry a standardized interest rate of 1%, a standardized term of maturity based on the date of origination, and borrower payments are largely deferred (under qualifying conditions) until the borrower is eligible to apply for loan forgiveness. PPP loans require no collateral or personal guarantees, but are supported by the 100% guarantee of the SBA. In 2020, the Bank originated PPP loans and deferred payments in accordance with the rules set forth by the SBA. The Bank has classified its PPP loans as “Commercial” loans and they are presented as such throughout the notes to these financial statements. In addition, the Bank received origination fees from the SBA commensurate with the individual loan balances. Because the PPP loans are backed 100% by the SBA’s guarantee, the Bank does not allocate any of the allowance for loan losses to them.

NONACCRUAL LOANS

Generally, loans are placed on nonaccrual when reasonable doubt exists as to the full, timely collection of principal or interest or when a loan becomes contractually past due at ninety days and interest is considered a loss, unless the loan is both well-secured and in the process of collection. The accrual of interest on loans is discontinued when, in management’s opinion, the borrower may be unable to meet payments as they become due. Typically, interest payments received on nonaccrual loans are applied as a reduction of the loan principal balance. Nonaccrual loans may be restored to accrual status when (1) none of the principal and interest is due and unpaid, and management expects repayment of the remaining contractual principal and interest, or (2) it otherwise becomes well-secured and in the process of collection.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

LOANS - CONTINUED

IMPAIRED LOANS

Loans are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company continually assesses loans for impairment by evaluating collectability and the probability of nonperformance of the original loan terms. Factors considered by management include the current financial condition of the creditor, the current value of the collateral, and general economic conditions.

The method of accounting for impaired loans is consistent across the portfolio segments. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the Company determines that foreclosure is probable, the Company measures the loan at the fair value of the collateral and recognizes any loss immediately. Groups of loans with similar risk characteristics, including individually evaluated loans not determined to be impaired, are collectively evaluated for impairment. When a loan is determined to be impaired, the Company recognizes the impairment by creating a valuation allowance with a corresponding charge to loan allowance. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower.

Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other impaired loans is recognized only to the extent of interest payments received.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is management’s estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans classified as troubled debt restructurings are analyzed on an individual basis for impairment subsequent to the restructuring. An additional impairment is accounted for in the same manner as general impaired loans. Loans in all portfolio segments are charged-off when they are deemed to be uncollectible. At that time, the related credit loss is deducted from the allowance. Recoveries of previously charged-off amounts are recorded when received.

METHODOLOGY

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries.

The balance of the allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans. To perform this analysis, management divides the loan portfolio into portfolio segments, which are further divided into classes. A portfolio segment is the level at which management develops and documents a systematic methodology to determine the allowance for loan losses, and a segment class is the subdivision of a portfolio segment based on the initial measurement attribute, risk characteristics and methods for assessing risk.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ALLOWANCE FOR LOAN LOSSES - CONTINUED

METHODOLOGY - CONTINUED

Allowance levels for all portfolio segments are influenced by a number of factors, including, but not limited to, loan volume, delinquency rates and historical loss rates based on a rolling twelve quarter period. Historical loss rates are adjusted based on management's analysis of non-financial factors, including: changes in the Company's lending procedures and monitoring; national and local economic factors; portfolio trends; management's ability, experience and depth; the results of the loan portfolio review and changes in loan grades assigned; concentrations of credit risk and other external factors. In addition to these general factors, management also considers risks specific to the nature of the loans in each portfolio segment. While management attributes portions of the allowance for loan losses to individual impaired loans and specific loan portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio.

Below is a summary of the segments of the Company's loan portfolio:

Commercial: This portfolio segment includes general secured and unsecured commercial loans which are not secured by real estate. Risks inherent to this portfolio segment include fluctuations in the local and national economy.

Commercial - real estate: The commercial - real estate portfolio segment includes all commercial loans that are secured by real estate, other than those included in the 1-4 family residential segment. The segment includes construction of both business and residential structures and real estate development loans. Risks inherent to this portfolio segment include fluctuations in property values and changes in the local and national economy impacting the sale of the finished structures.

Tax exempt: Tax exempt loans consist of loans to taxing authorities, including counties, cities, school districts, hospitals, etc. Risks inherent to this portfolio segment include those risks which would impact the taxing authority's ability to assess and collect sufficient tax revenue. These risks may include declines in property values and fluctuations in the economy local to the taxing authority.

Consumer: This portfolio segment consists of non-real estate loans to consumers. This includes secured and unsecured loans such as auto and personal loans. The risks inherent to this portfolio segment include those factors that would impact the consumer's ability to meet their obligations under the loan. These include increases in the local unemployment rate and fluctuations in consumer and business sales.

1-4 Family Residential: This portfolio segment includes loans to both commercial and consumer borrowers secured by real estate for housing units of up to four families. Risks inherent to this portfolio segment include increases in the local unemployment rate, changes in the local economy, and factors that would impact the value of the underlying collateral, such as changes in property values.

Agricultural: The agricultural portfolio segment includes loans to companies in the dairy and cattle industries and farmers. Loans in the segment are secured by collateral including cattle, equipment and real estate. Risks inherent in this portfolio segment include adverse changes in climate, fluctuations in feed and cattle prices and changes in property values.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ALLOWANCE FOR LOAN LOSSES - CONTINUED

CREDIT QUALITY INDICATORS

The Company monitors the credit quality of the loans in the various segments by identifying and evaluating credit quality indicators specific to each segment class. This information is incorporated into management's analysis of the adequacy of the allowance for loan losses. Information for the credit quality indicators is updated monthly for classified assets and quarterly for the remainder of the portfolio. The following is a discussion of the primary credit quality indicators most closely monitored for the respective portfolio segment classes:

Commercial: In assessing risk associated with commercial loans, management considers the business's cash flow and the value of the underlying collateral to be the primary credit quality indicators.

Commercial - real estate:

Construction: In assessing the credit quality of construction loans, management considers the ability of the borrower to finance principal and interest payments in the event that he is unable to sell the completed structure to be a primary credit quality indicator. For real estate development loans, management also considers the likelihood of the successful sale of the constructed properties in the development.

Other: Management considers the strength of the borrower's cash flows and changes in property values to be key credit quality indicators of other commercial – real estate loans.

Tax exempt: Primary credit quality indicators utilized by management for tax exempt loans include historical and projected trends in tax revenues and allotments and management's assessment of the strength of the entity's management and oversight boards.

Consumer:

Other: Management considers the debt-to-income ratio of the borrower, the borrower's credit history, the availability of other credit to the borrower and the borrower's past-due history to be primary credit quality indicators for unsecured loans.

Auto: In addition to the credit quality indicators described under other, management also considers the estimated value of the underlying collateral in assessing auto and other secured consumer loans.

1-4 Family Residential: Management considers changes in the local economy, changes in property values, and changes in local unemployment rates to be key credit quality indicators of the loans in the 1-4 family residential loan segment.

Agricultural: In assessing risk associated with agricultural loans, management considers the borrower's cash flows, the value of the underlying collateral and sources for secondary repayment to be primary credit quality indicators.

BANK PREMISES AND EQUIPMENT

Company premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred, while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

OTHER REAL ESTATE OWNED

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Company's carrying amount or fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amounts by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed.

Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when the legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at a lower of cost or fair value less estimated cost to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating expenses, gains and losses on disposition, and changes in the valuation allowance are reported in other noninterest expense.

The carrying amount of foreclosed residential real estate properties held where physical possession has been obtained was $-0- at December 31, 2020. In addition, at December 31, 2020, there were no consumer mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process.

LOAN SERVICING

The cost of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate.

GOODWILL

Goodwill represents the excess of the cost of the business acquired over the fair value of the net assets acquired. Qualitative factors are assessed at least annually to determine whether it is necessary to perform the two-step goodwill impairment test. The assessment of qualitative factors determines whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the qualitative assessment determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the first and second steps of the goodwill impairment test are unnecessary.

If the qualitative assessment indicates that it is more likely than not that the fair value is less than its carrying amount, then the following two-step approach is used to test goodwill for impairment. The first step is to compare the fair value of the reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired and the second step is not required. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test measures the amount of the impairment loss, if any.

The second step of the impairment test is to compare the implied fair value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. Management has prepared a qualitative assessment and determined that it is not more likely than not that the fair value of the reporting unit was less than its carrying amount at December 31, 2020 and 2019; therefore, the first and second steps were unnecessary. The Company concluded there was no impairment of goodwill at December 31, 2020 and 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

TREASURY STOCK

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the average cost method.

INCOME TAXES

The Company uses the asset and liability method to account for income taxes, including recognition of deferred tax assets and liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax basis. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in the valuation allowance from period to period are included in the Company's tax provision in the period of change.

The provision for income taxes recognizes the tax effects of all income and expense transactions in the statements of income, regardless of the year in which the transactions are reported for tax purposes, in accordance with the provisions of ASC Topic 740, *Accounting for Income Taxes* (ASC 740).

The Company accounts for uncertainties in income taxes in accordance with ASC 740. Due to the complexities of the tax code, actual payment of taxes could be different from any current estimate of tax liabilities. At December 31, 2020, the Company does not believe that there are any uncertain tax positions that would adversely impact the financial position or results of operations. Any interest and penalties on income tax assessments are calculated as a component of the provision for income taxes. The Company's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. The Company files a consolidated tax return with its subsidiary.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates. The fair value estimates of existing on and off-balance sheet financial instruments do not include the value of anticipated future business or the value of assets and liabilities not considered financial instruments.

REGULATORY CAPITAL

Banking regulations require the maintenance of certain capital levels. See Note 18 for information related to regulatory matters and capital requirements.

STOCK-BASED COMPENSATION

Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite period for the entire award.

ADVERTISING COSTS

Advertising costs are expensed as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

EARNINGS PER SHARE

Basic net earnings per share is computed using the weighted-average number of common shares outstanding. The dilutive effect of potential common shares outstanding is included in diluted net earnings per share.

COMPREHENSIVE INCOME

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

LOSS CONTINGENCIES

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

ASU 2014-09, *Revenue from Contracts with Customers.* Effective January 1, 2019, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “Topic 606”), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as other real estate owned. The majority of the Bank’s revenues come from interest income and other income associated with loans and securities, which are outside the scope of Topic 606. The Bank’s services that fall within the scope of Topic 606 are presented within other income and are recognized as revenue as the Bank satisfies its obligation to the customer. Revenue sources within the scope of Topic 606 include service charges on deposit accounts, merchant service fees and other fees and charges.

The adoption of Topic 606 did not have a material impact on our consolidated financial position, results of operations, equity, or cash flows as of the adoption date or for the year ended December 31, 2020. A description of service charges on deposit accounts, and debit card and ATM fees are provided below.

<u>Service charges on deposit accounts</u>: The Bank earns fees from deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees and overdraft fees are recognized at a point in time, since the customer generally has a right to cancel the depository arrangement at any time. The arrangement is considered a day-to-day contract with ongoing renewals and optional purchases, so the duration of the contract does not extend beyond the services already performed. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies its performance obligation.

<u>Debit card and ATM fees</u>: Debit card and ATM fees include ATM usage fees and debit card interchange income. As with the transaction-based fees on deposit accounts, the ATM fees are recognized at the point in time that the Company fulfills the customer’s request. The Company earns interchange fees from cardholder transactions processed through card association networks. Interchange rates are generally set by the card associations based upon purchase volumes and other factors. Interchange fees represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* In January 2016, the FASB issue amended guidance that requires equity investments to be measured at fair value with changes in fair value recognized in net income. The guidance also eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The new guidance was effective for fiscal years beginning after December 15, 2018. The adoption of this guidance did not have a material impact on the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

ASU No. 2016-02, *Leases.* In February 2016, the FASB issued guidance that changes the accounting treatment of leases, in that lessees will recognize most leases on-balance sheet. This will increase reported assets and liabilities, as lessees will be required to recognize a right-of-use asset along with a lease liability, measured on a discounted basis. Lessees are allowed to account for short-term leases (those with a term of twelve months or less) off-balance sheet. The amendments in this update are effective for fiscal years beginning after December 15, 2021. The Company occupies certain banking offices and uses certain equipment under noncancelable operating lease agreements which currently are not reflected in its consolidated balance sheet. Upon adoption of the guidance, the Company expects to report increased assets and increased liabilities as a result of recognizing right-of-use assets and lease liabilities on its consolidated balance sheet.

ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* In June 2016, the FASB issued this update that replaces the current incurred loss methodology for recognizing credit losses with a current expected credit loss model, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This amendment broadens the information that an entity must consider in developing its expected credit loss estimates. Additionally, the update amends the accounting for credit losses for available-for-sale debt securities and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. This update requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a company’s loan portfolio. The amendments in this update are effective for fiscal years beginning after December 15, 2022. The Company is currently assessing the requirements and necessary changes to the existing credit loss estimation methods and identifying a complete set of data requirements and sources. The Company is currently evaluating the impact ASU No. 2016-13 will have on its consolidated financial statements.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year’s presentation. These reclassifications had no impact on net income.

NOTE 2 - CASH AND DUE FROM BANKS

The Bank is typically required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank; however, in light of the shift to an ample reserve regime, the Federal Reserve Bank Board reduced reserve requirement ratios to zero percent for the indefinite future effective March 26, 2020. As a result, the Bank is no longer required to maintain certain daily reserve balances in cash or on deposit in accordance with Federal Reserve Bank requirements. The Bank was not required to maintain cash on hand as of December 31, 2019 as cash vault supplies were sufficient to cover required reserves.

NOTE 3 - INVESTMENT SECURITIES

Investment securities at December 31, 2020 and 2019 are summarized as follows:

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
U. S. Treasury	$ 99,983,349	$ 2,113	$ 34,091	$ 99,951,371
Municipal securities	246,941,514	15,805,512	68,411	262,678,615
Mortgage-backed securities	6,956,204	133,919	-	7,090,123
Corporate bonds	4,000,000	7,690	-	4,007,690
	$ 357,881,067	$ 15,949,234	$ 102,502	$ 373,727,799
December 31, 2019				
Available-for-sale:				
U. S. Treasury	$ 133,989,942	$ 5,674	$ 45,837	$ 133,949,779
Municipal securities	207,546,069	6,844,950	132,581	214,258,438
Mortgage-backed securities	30,508,719	9,377	259,054	30,259,042
	$ 372,044,730	$ 6,860,001	$ 437,472	$ 378,467,259

The amortized cost and fair value of investment securities at December 31, 2020 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers and/or issuers may have the right to call or prepay their obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 101,150,108	$ 101,270,672
Due after one year through five years	46,076,978	46,998,709
Due after five years through ten years	79,589,907	83,915,825
Due after ten years	131,064,074	141,542,593
	$ 357,881,067	$ 373,727,799

Investment securities with amortized cost of $180,444,267 and $198,701,198 and fair values of $193,914,268 and $204,376,572 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

Sales of securities, all of which were available-for-sale, were as follows:

	2020	2019
Gross realized gains	$ 61,717	$ 370,356
Gross realized losses	-	-

NOTE 3 - INVESTMENT SECURITIES - CONTINUED

The following table provides 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. The Company held 0 and 36 securities which had been in continuous loss positions over twelve months at December 31, 2020 and 2019, respectively. As of December 31, 2019, the securities in a loss position were composed of municipal and mortgage-backed securities.

	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
December 31, 2020						
U. S. Treasury	$ 34,091	$ 7,964,991	$ -	$ -	$ 34,091	$ 7,964,991
Municipal securities	68,411	18,247,752	-	-	68,411	18,247,752
	$ 102,502	$ 26,212,743	$ -	$ -	$ 102,502	$ 26,212,743
December 31, 2019						
U. S. Treasury	$ 45,837	$81,774,003	$ -	$ -	$ 45,837	$ 81,774,003
Municipal securities	80,574	12,855,599	52,007	5,672,397	132,581	18,527,996
Mortgage-backed securities	-	-	259,054	25,894,932	259,054	25,894,932
	$ 126,411	$ 94,629,602	$ 311,061	$ 31,567,329	$ 437,472	$ 126,196,931

Unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. Based on evaluation of available evidence, including recent changes in interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment would be reduced, and the resulting loss recognized in net earnings in the period the other-than-temporary impairment is identified.

Mortgage-backed securities are backed by pools of mortgages that are insured or guaranteed by the Federal Home Loan Mortgage Corporation (FHLMCs), the Federal National Mortgage Association (FNMA) or the Government National Mortgage Association (GNMA).

At December 31, 2020, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholders’ equity.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

LOAN PORTFOLIO COMPOSITION

The loan portfolio on December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Real estate:		
Residential	$ 340,407,232	$ 363,149,609
Non-residential	284,962,081	327,087,546
Consumer	12,824,361	12,664,559
Commercial	663,798,373	601,643,355
Agriculture	1,114,743	1,443,935
Municipal	-	37,205,195
Overdraft and overdraft protection loans	727,216	61,527
Loans held for sale	1,725,811	-
Total gross loans	1,305,559,817	1,343,255,726
Less:		
Unearned discount	367,664	275,370
Unearned fees	892,682	-
Allowance for loan losses	21,061,106	13,430,787
Total net loans	$ 1,283,238,365	$ 1,329,549,569

The Company has entered into transactions with certain directors, executive officers, significant shareholders and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. Loans to such related parties at December 31, 2020 and 2019 totaled $5,261,102 and $3,833,988, respectively.

The above commercial loans include $83,600,675 of PPP loans originated in 2020. $72,350,365 were still outstanding as of December 31, 2020 and either had not been forgiven or were waiting on forgiveness approval from the SBA. Unearned fees have been received from the SBA and are directly related to those PPP loans. Fees, less associated origination costs, are deferred and generally recognized over the life of the loan or when they are forgiven by the SBA.

ALLOWANCE FOR LOAN LOSSES

An allowance is maintained that represents management's best estimate of probable loan losses inherent in the Company's loan portfolio. In determining the allowance for loan losses, loans in the portfolio were disaggregated with similar credit risk characteristics into portfolio segments. See Note 1 "Summary of Significant Accounting Policies" for additional information. The allowance for loan losses is increased through a provision for loan losses charged to earnings and reduced by net charge-offs. Charge-offs of uncollectible amounts are deducted from the allowance and subsequent recoveries are added back. The allowance for loan losses and the recorded investment in financing receivables for the year ended December 31, 2020, are summarized in the table on the following page.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED
ALLOWANCE FOR LOAN LOSSES – CONTINUED

	Allowance for Loan Losses				
	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Real estate:					
Residential	$ 3,367,471	$ (51,019)	$ -	$ 181,725	$ 3,498,177
Non-residential	3,836,379	(692,036)	129,419	1,696,100	4,969,862
Consumer	707,961	(537,907)	1,283	1,332,650	1,503,987
Commercial	5,122,322	(3,497,368)	175,297	8,843,950	10,644,201
Agriculture	162,398	-	-	-	162,398
Municipal	226,356	-	-	-	226,356
Overdraft and overdraft protection	7,900	(19,378)	7,028	60,575	56,125
	$ 13,430,787	$ (4,797,708)	$ 313,027	$12,115,000	$ 21,061,106

	Allowance for Loan Losses			Financing Receivables		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate:						
Residential	$ -	$ 3,498,177	$ 3,498,177	$ -	$ 342,133,043	$ 342,133,043
Non-residential	-	4,969,862	4,969,862	-	284,962,081	284,962,081
Consumer	-	1,503,987	1,503,987	-	12,824,361	12,824,361
Commercial	4,336,070	6,308,131	10,644,201	21,349,751	642,448,622	663,798,373
Agriculture	-	162,398	162,398	-	1,114,743	1,114,743
Municipal	-	226,356	226,356	-	-	-
Overdraft and overdraft protection	-	56,125	56,125	-	727,216	727,216
	$ 4,336,070	$ 16,725,036	$21,061,106	$ 21,349,751	$ 1,284,210,066	$ 1,305,559,817

The allowance for loan losses and the recorded investment in financing receivables for the year ended December 31, 2019, are summarized as follows:

	Allowance for Loan Losses				
	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Real estate:					
Residential	$ 3,366,729	$ (21,600)	$ -	$ 22,342	$ 3,367,471
Non-residential	3,630,715	(490,964)	188,800	507,828	3,836,379
Consumer	697,812	(62,113)	8,016	64,246	707,961
Commercial	4,939,459	(4,137,708)	40,740	4,279,831	5,122,322
Agriculture	162,398	-	-	-	162,398
Municipal	226,356	-	-	-	226,356
Overdraft and overdraft protection	2,770	(15,230)	4,607	15,753	7,900
	$ 13,026,239	$ (4,727,615)	$ 242,163	$ 4,890,000	$ 13,430,787

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED
ALLOWANCE FOR LOAN LOSSES – CONTINUED

	Allowance for Loan Losses			Financing Receivables		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Real estate:						
Residential	$ 71,003	$ 3,296,468	$ 3,367,471	$ 525,176	$ 362,624,433	$ 363,149,609
Non-residential	21,780	3,814,599	3,836,379	3,971,480	323,116,066	327,087,546
Consumer	-	707,961	707,961	-	12,664,559	12,664,559
Commercial	2,061,161	3,061,161	5,122,322	11,745,928	589,897,427	601,643,355
Agriculture	-	162,398	162,398	-	1,443,935	1,443,935
Municipal	-	226,356	226,356	-	37,205,195	37,205,195
Overdraft and overdraft protection	-	7,900	7,900	-	61,527	61,527
	$ 2,153,944	$ 11,276,843	$13,430,787	$ 16,242,584	$ 1,327,013,142	$ 1,343,255,726

There have been no changes to the Company's accounting policies or methodology from the prior period that affected the current provision for credit losses.

CREDIT QUALITY

Management uses internally assigned loan grades, among other factors, to evaluate the collectability of the loan portfolio. As part of management's internal loan review process, loan grades are reviewed at least annually and more frequently if evidence of deterioration is noted. The loan grades currently utilized by management are as follows:

- Prime Plus: A credit fully secured with insured deposits in BTH Bank or a federally insured financial institution, U. S. Treasury Securities, or other collateral that completely negates any risk of loss.
- Prime: A credit relationship that is supported by a reasonable combination of exceptionally strong character elements, debt service capacity, guarantor support, and/or collateral coverage. Other characteristics of a prime credit might include a lengthy history with BTH Bank, timely provision of thorough financial and other information to support the credit, and based on BTH Bank's credit review, minimal risk of severe financial stress which could materially impact the continued viability of the capacity to meet the scheduled BTH Bank debt service.
- Good: A credit relationship that is similar in profile to a Prime credit, but for which there are one or more characteristics that result in a grade of Good. These credits will also have no material weaknesses based on potential stresses that might develop.
- Acceptable: A credit relationship that exhibits no material weaknesses or vulnerabilities but might be subject to some degree of concern should it encounter significant external factors. A combination of strong guarantor support and/or collateral protection may be mitigating elements of this grade.
- Needs Improvement: A credit relationship in which the customer, the CSO, and/or bank leadership have identified certain factors that need attention and improvement. These factors might include financial reporting, reversal of unfavorable recent trends, the impact of economic/political/competitive considerations, need for more equity, etc. These credits, depending on the degree of improvement identified as needed, the probability of achieving the improvement, and the strength of character, capacity, collateral, and guarantor support, may be on the BTH Bank Watch List. These relationships will not indicate any likelihood of loss to be incurred by the bank.
- Substandard: A credit relationship that has been identified with a well-defined weakness or weaknesses that jeopardize the repayment of the credit. Absent timely correction of the weakness(es), a loss may be incurred.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED
CREDIT QUALITY – CONTINUED

- Doubtful: A substandard credit profile with the added characteristic that repayment of the balance is doubtful.
- Loss: A credit relationship for which there is no sound basis for carrying it as an asset.

Loans are summarized by internally assigned loan grades as of December 31, 2020, as follows:

	Residential Real Estate	Non-Residential Real Estate	Consumer	Commercial	Agriculture	Municipal	Overdraft	Total
Grade:								
1 - Prime Plus	$ 148,967	$ -	$ 2,737,541	$ 1,513,852	$ 11,000	$ -	$ -	$ 4,411,360
2 - Prime	27,294,824	21,349,914	194,198	48,953,428	-	-	-	97,792,364
3 - Good	279,751,832	221,256,616	8,535,184	483,340,329	50,784	-	727,216	993,661,961
4 - Acceptable	30,983,402	31,799,459	1,182,633	86,554,955	547,778	-	-	151,068,227
5 - Needs Improvement	282,072	1,714,083	19,697	1,855,769	505,181	-	-	4,376,802
6 - Substandard	3,671,946	8,842,009	155,108	40,580,040	-	-	-	53,249,103
7 - Doubtful	-	-	-	1,000,000	-	-	-	1,000,000
8 - Loss	-	-	-	-	-	-	-	-
Total	$ 342,133,043	$ 284,962,081	$ 12,824,361	$ 663,798,373	$ 1,114,743	$ -	$ 727,216	$ 1,305,559,817

Loans are summarized by internally assigned loan grades as of December 31, 2019, as follows:

	Residential Real Estate	Non-Residential Real Estate	Consumer	Commercial	Agriculture	Municipal	Overdraft	Total
Grade:								
1 - Prime Plus	$ -	$ -	$ 2,598,815	$ 588,568	$ 71,000	$ -	$ -	$ 3,258,383
2 - Prime	33,377,536	28,928,670	679,128	25,258,691	-	-	-	88,244,025
3 - Good	288,969,541	263,444,401	7,029,010	494,216,950	84,954	-	-	1,053,744,856
4 - Acceptable	35,170,795	23,411,557	1,760,474	57,382,264	1,287,981	37,205,195	61,527	156,279,793
5 - Needs Improvement	4,807,278	1,851,777	597,132	6,941,281	-	-	-	14,197,468
6 - Substandard	824,459	9,451,141	-	17,255,601	-	-	-	27,531,201
7 - Doubtful	-	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-	-
Total	$ 363,149,609	$ 327,087,546	$ 12,664,559	$ 601,643,355	$ 1,443,935	$37,205,195	$ 61,527	$ 1,343,255,726

The following table summarizes the payment status of loans in the Company's total loan portfolio as of December 31, 2020, including an aging of delinquent loans and loans 90 days or more past due that are continuing to accrue interest.

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Real Estate:							
Residential	$ 1,280,586	$ 2,102,188	$ 1,436,513	$ 4,819,287	$ 337,313,756	$ 342,133,043	$ 23,016
Non-residential	-	-	8,301,255	8,301,255	276,660,826	284,962,081	-
Consumer	10,905	165,521	-	176,426	12,647,935	12,824,361	-
Commercial	1,494,003	-	33,091,343	34,585,346	629,213,027	663,798,373	-
Agriculture	-	-	-	-	1,114,743	1,114,743	-
Municipal	-	-	-	-	-	-	-
Overdraft and overdraft protection	-	-	-	-	727,216	727,216	-
Total	$ 2,785,494	$ 2,267,709	$ 42,829,111	$ 47,882,314	$1,257,677,503	$ 1,305,559,817	$ 23,016

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

CREDIT QUALITY – CONTINUED

The following table summarizes the payment status of loans in the Company's total loan portfolio as of December 31, 2019, including an aging of delinquent loans and loans 90 days or more past due that are continuing to accrue interest.

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Real Estate:							
Residential	$ 445,839	$ 89,355	$ 525,176	$ 1,060,370	$ 362,089,239	$ 363,149,609	$ -
Non-residential	2,048,142	308,517	4,794,774	7,151,433	319,936,113	327,087,546	-
Consumer	164,054	-	-	164,054	12,500,505	12,664,559	-
Commercial	6,359,413	6,277,674	11,015,335	23,652,422	577,990,933	601,643,355	-
Agriculture	-	-	-	-	1,443,935	1,443,935	-
Municipal	-	-	-	-	37,205,195	37,205,195	-
Overdraft and overdraft protection	-	-	-	-	61,527	61,527	-
Total	$ 9,017,448	$ 6,675,546	$ 16,335,285	$ 32,028,279	$1,311,227,447	$ 1,343,255,726	$ -

The following table presents information regarding nonperforming assets (loans on nonaccrual status) as of December 31, 2020 and 2019:

	2020	2019
Real estate:		
Residential	$ 3,683,574	$ 784,391
Non-residential	8,301,255	9,271,552
Consumer	154,270	-
Commercial	33,338,686	17,255,602
Agriculture	-	-
Municipal	-	-
Overdraft and overdraft protection loans	-	-
Total	$ 45,477,785	$ 27,311,545

If interest on nonaccrual loans had been accrued, such income would have been $2,436,754 and $881,265 in 2020 and 2019, respectively.

IMPAIRED LOANS AND TROUBLED DEBT RESTRUCTURING

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with original contractual terms of the loan. Loans with insignificant delays or insignificant short falls in the amount of payments expected to be collected are not considered to be impaired. Loans defined as individually impaired, based on applicable accounting guidance, include larger balance nonperforming loans and troubled debt restructuring. A troubled debt restructuring (TDR) is a restructuring in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. The Company did not have any TDRs as of December 31, 2020 and 2019.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

IMPAIRED LOANS AND TROUBLED DEBT RESTRUCTURING

As part of the CARES Act, Section 4013, "Temporary Relief from Troubled Debt Restructuring," provided banks with the option to temporarily suspend certain requirements under U. S. GAAP (Generally Accepted Accounting Principles) related to TDRs. The Bank worked with borrowers impacted by COVID-19 and provided modifications that included interest only deferral or principal and interest deferral. Modifications granted were determined based on the borrowers' individual financial circumstances. Under Section 4013, certain loan modifications, when made in response to COVID-19 related difficulties, under qualifying circumstances, are not required to be reported as TDRs. At December 31, 2020, the Bank had loan balances of $20,321,997 for which the borrower was allowed to temporarily defer payment. These loans are considered to be deferred in accordance with Section 4013 of the CARES Act and are not included in the TDR information presented above and in accompanying notes.

The following table summarizes loans considered to be impaired as of December 31, 2020.

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
Residential	$ 3,683,574	$ 3,806,337	$ -	$ 3,712,945	$ 154,188
Non-residential	8,301,255	8,644,481	-	8,447,592	205,596
Consumer	154,270	154,270	-	154,270	6,789
Commercial	11,988,934	14,391,977	-	13,501,069	808,587
Agriculture	-	-	-	-	-
Municipal	-	-	-	-	-
Overdraft and overdraft protection	-	-	-	-	-
Total	24,128,033	26,997,065	-	25,815,876	1,175,160
With allowance recorded:					
Real estate:					
Residential	-	-	-	-	-
Non-residential	-	-	-	-	-
Consumer	-	-	-	-	-
Commercial	21,349,751	21,349,751	4,336,070	21,349,751	272,983
Agriculture	-	-	-	-	-
Municipal	-	-	-	-	-
Overdraft and overdraft protection	-	-	-	-	-
Total	21,349,751	21,349,751	4,336,070	21,349,751	272,983
Total:					
Real estate	11,984,829	12,450,818	-	12,160,537	359,784
Consumer	154,270	154,270	-	154,270	6,789
Commercial	33,338,685	35,741,728	4,336,070	34,850,820	1,081,570
Agricultural	-	-	-	-	-
Municipal	-	-	-	-	-
Overdraft	-	-	-	-	-
Total	$45,477,784	$48,346,816	$4,336,070	$47,165,627	$ 1,448,143

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

IMPAIRED LOANS AND TROUBLED DEBT RESTRUCTURING – CONTINUED

The following table summarizes loans considered to be impaired as of December 31, 2019.

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
Residential	$ 210,801	$ 211,593	$ -	$ 211,593	$ 8,742
Non-residential	5,094,354	5,172,633	-	5,172,633	203,849
Consumer	-	-	-	-	-
Commercial	5,509,674	5,579,081	-	5,579,081	258,008
Agriculture	-	-	-	-	-
Municipal	-	-	-	-	-
Overdraft and overdraft protection	-	-	-	-	-
Total	10,814,829	10,963,307	-	10,963,307	470,599
With allowance recorded:					
Real estate:					
Residential	525,176	530,367	71,003	530,367	25,083
Non-residential	3,971,480	4,219,898	21,780	4,220,341	262,726
Consumer	-	-	-	-	-
Commercial	11,745,928	11,747,138	2,061,161	11,747,138	624,876
Agriculture	-	-	-	-	-
Municipal	-	-	-	-	-
Overdraft and overdraft protection	-	-	-	-	-
Total	16,242,584	16,497,403	2,153,944	16,497,846	912,685
Total:					
Real estate	9,801,811	10,134,491	92,783	10,134,934	500,400
Consumer	-	-	-	-	-
Commercial	17,255,602	17,326,219	2,061,161	17,326,219	882,884
Agriculture	-	-	-	-	-
Municipal	-	-	-	-	-
Overdraft	-	-	-	-	-
Total	$27,057,413	$27,460,710	$2,153,944	$27,461,153	$ 1,383,284

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2020 and 2019, are summarized as follows:

	2020	2019
Land	$ 2,852,980	$ 2,852,980
Building	15,261,411	15,250,802
Leasehold improvements	3,302,783	3,302,783
Furniture, fixtures and equipment	10,057,651	9,039,730
Construction in progress	-	12,000
Total cost	31,474,825	30,458,295
Less: accumulated depreciation	12,519,507	11,059,748
Net premises and equipment	$18,955,318	$19,398,547

Depreciation expense totaled $1,480,385 and $1,296,631 in 2020 and 2019, respectively, and is included as a component of occupancy and equipment expense in the consolidated statements of earnings.

NOTE 5 - PREMISES AND EQUIPMENT - CONTINUED

The Company leases operating facilities in Carthage, Dallas, Kilgore, McKinney, Plano and Fort Worth, Texas. These leases were originated between August 2013 and May 2019; the next expiration date is January 2021 and the longest-term lease expires in May 2029. The Company had previously leased a temporary office location in Fort Worth, Texas, pending completion of construction on the new Forth Worth lease space. The lease on the temporary office was on a month-to-month arrangement. The lease for the permanent facility in Fort Worth commenced thirty days after a certificate of occupancy was received, which was in May 2019.

Rental expense in the aggregate was $865,102 and $785,600 in 2020 and 2019, respectively.

At December 31, 2020, future minimum rental commitments under non-cancelable operating leases are as follows:

2021	$ 862,388
2022	871,056
2023	869,034
2024	848,580
2025	699,965
Thereafter	1,361,228
	$ 5,512,251

NOTE 6 - RESTRICTED EQUITY SECURITIES

The Bank is an investor in the Independent Bankers Financial Corporation and a member of the Federal Reserve Bank, Federal Home Loan Bank and Fannie Mae and is required to maintain an investment in the capital stock of each. The stocks are restricted in that they can only be redeemed by the issuer at par value. Restricted equity securities at December 31, 2020 and 2019 were as follows:

	2020	2019
Federal Reserve Bank	$ 4,716,400	$ 4,716,400
Independent Bankers Financial Corporation	106,539	106,539
Federal Home Loan Bank	1,048,400	1,039,000
Fannie Mae, net of unrealized gain/loss	314	314
Total	$ 5,871,653	$ 5,862,253

NOTE 7 - LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others totaled $90,109,811 and $55,010,499 at December 31, 2020 and 2019, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were $451,737 and $274,710 at December 31, 2020 and 2019, respectively.

Mortgage servicing rights of $448,009 and $123,569 were capitalized in 2020 and 2019, respectively. Amortization of mortgage servicing rights was $420,147 and $74,378 in 2020 and 2019, respectively. Mortgage servicing rights are recorded at their estimated fair value of $495,106 and $467,246 at December 31, 2020 and 2019, respectively, and are included in other assets in the consolidated balance sheets.

NOTE 8 - DEPOSITS

Deposit account balances at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Non-interest bearing demand	$ 344,561,977	$ 240,244,464
Interest-bearing demand	671,189,752	466,750,438
Savings	122,838,459	105,336,414
Certificates of deposit (CDs)	570,276,626	716,715,215
Total deposits	$ 1,708,866,814	$ 1,529,046,531

Demand Deposits and Savings accounts of executive officers, directors and significant shareholders were $6,248,269 and $3,705,165 at December 31, 2020 and 2019, respectively.

Certificates of deposit and other time deposits issued in denominations that meet or exceed the FDIC insurance limit of $250 thousand or more totaled $211,081,000 and $310,799,000 at December 31, 2020 and 2019, respectively, and are included in interest-bearing deposits in the consolidated balance sheet. Although these balances exceed the FDIC insurance individual limit, depending on the account ownership styling, some of these balances are still covered by FDIC insurance.

At December 31, 2020, the scheduled maturity of CDs was as follows:

2021	$ 453,760,930
2022	92,310,435
2023	20,678,625
2024	1,070,373
2025	2,279,840
Thereafter	176,423
	$ 570,276,626

CD deposits of executive officers, directors and significant shareholders were $3,780,777 and $3,760,913 at December 31, 2020 and 2019, respectively.

NOTE 9 - FEDERAL HOME LOAN BANK ADVANCES

Federal Home Loan Bank (FHLB) advances were as follows at December 31, 2020 and 2019:

	2020	2019
Balance at end of period	$ -	$ -
Average amount outstanding during the period	2,732	68,330,137
Maximum amount outstanding during the period	1,000,000	240,000,000
Weighted average interest rate during the period	0.11%	2.57%
Interest rates at end of period	N/A	N/A

As a member of the FHLB system, the Company had the ability to obtain borrowings up to a maximum total of $364,321,720 as of December 31, 2020 subject to the level of qualified, pledgable loans and FHLB stock owned. The advances are collateralized by a blanket pledge of the Company’s single-family loans, multi-family loans, commercial loans, small business loans and FHLB stock owned by the Company. There were no advances as of December 31, 2020.

NOTE 10 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Bank has agreed to sell certain investment securities under agreements to repurchase the securities on specified dates on a short-term basis. These agreements bear interest at variable rates, ranging from 0.00% to 0.60% at December 31, 2020, with securities maturing between 2021 and 2032. The securities are subject to repurchase in June 2021 and October 2021. Such securities sold totaled $4,768,331 and $3,040,329 at December 31, 2020 and 2019, respectively.

NOTE 11 - NOTES PAYABLE

PROMISSORY NOTES

As part of the 2014 Stock Offering, the Company offered for sale two Floating Rate Subordinated Promissory Notes. The "7-Year Note", due in 2022, was offered for sale up to $15 million in aggregate principal. The 7-Year Notes mature on June 30, 2022 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 1.25% with a minimum interest rate of 3.875% and a maximum interest rate of 6.375% per annum. During 2020, notes that became callable in the amount of $8,150,000 were retired by the Company.

The "10-Year Note", due in 2025, was offered for sale up to $20 million in aggregate principal. The 10-Year Notes mature on June 30, 2025 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 1.75% with a minimum interest rate of 3.875% and a maximum interest rate of 6.375% per annum.

In 2016, the Company offered for sale up to $25,000,000 in aggregate principal of two Floating Rate Subordinated Promissory Notes. The "Floating Rate Subordinated Promissory Notes Due 2023", due on December 31, 2023, were issued in denominations and multiples of $25,000 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 1.25% with a minimum interest rate of 3.875% and a maximum interest rate of 6.375% per annum.

The "Floating Rate Subordinated Promissory Notes Due 2026", due on December 31, 2026, were issued in denominations and multiples of $25,000 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 1.75% with a minimum interest rate of 3.875% and a maximum interest rate of 6.375% per annum.

In 2017, the Company offered for sale up to $25,000,000 in aggregate principal of two Floating Rate Subordinated Promissory Notes. The "Floating Rate Subordinated Promissory Notes Due 2024", due on December 31, 2024, were issued in denominations and multiples of $25,000 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 1.25% with a minimum interest rate of 3.875% and a maximum interest rate of 6.375% per annum.

The "Floating Rate Subordinated Promissory Notes Due 2027", due on December 31, 2027, were issued in denominations and multiples of $25,000 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 1.75% with a minimum interest rate of 3.875% and a maximum interest rate of 6.375% per annum.

In 2018, the Company offered for sale up to $25,000,000 in aggregate principal of two Floating Rate Subordinated Promissory Notes. The "Floating Rate Subordinated Promissory Notes Due 2025", due on December 31, 2025, were issued in denominations and multiples of $25,000 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 0.50% with a minimum interest rate of 3.875% and a maximum interest rate of 6.125% per annum.

The "Floating Rate Subordinated Promissory Notes Due 2028", due on December 31, 2028, were issued in denominations and multiples of $25,000 and pay interest each quarter at a floating rate per annum equal to the *Wall Street Journal* prime rate determined quarterly as of the first business day of each calendar quarter, plus 0.75% with a minimum interest rate of 3.875% and a maximum interest rate of 6.125% per annum.

In 2019, the Company issued a $3,500,000 Fixed Rate Subordinated Promissory Note, due on January 15, 2022. The note pays interest each quarter at a fixed rate per annum of 4.25%.

NOTE 11 - NOTES PAYABLE - CONTINUED

PROMISSORY NOTES - CONTINUED

The subordinated notes are identical in terms and conditions, except for the maturity dates and interest rates payable on the notes. The notes will repay to the investors the outstanding principal amount and all accrued and unpaid interest. The notes are not callable until the fifth anniversary and can be called in part or in full at the Company's discretion. The notes are unsecured and rank senior to the Company's common stock, any preferred stock that may be issued, and the indebtedness that is incurred in connection with the issuance of trust preferred securities (see Note 12).

KSOP NOTE PAYABLE

The Company's Employee Stock Ownership Plan with 401(k) Provisions (KSOP), as described in Note 15, is funded by a $4,100,000 line of credit with another financial institution. The revolving line of credit originally transacted on December 30, 2013, was modified in April 2017 to increase the line amount and extend the maturity to April 30, 2027. The note has an interest rate of prime plus one-half percent. Principal and interest is due in monthly installments and was secured by 232,311 shares of BT Holdings common stock as of December 31, 2020.

LINE OF CREDIT

On December 16, 2015, the Company entered into a line of credit agreement with another financial institution. The $4,000,000 revolving line of credit was modified on November 3, 2016 increasing the principal amount to $5,000,000, and again on June 30, 2020 increasing the principal amount to $15,000,000. The note has an interest rate of prime plus one-half percent or a minimum interest rate of 3.75% and matures June 30, 2021. All outstanding interest is due and payable on a monthly basis with the entire unpaid principal balance and all accrued unpaid interest due at maturity. This note payable is secured by 3,700 shares of BTH Bank common stock as of December 31, 2020.

Notes payable at December 31, 2020 and 2019 were as follows:

	2020	2019
Promissory notes (3 year)	$ 3,500,000	$ 3,500,000
Promissory notes (7 year)	19,435,000	27,585,000
Promissory notes (10 year)	19,500,000	19,500,000
KSOP note payable	951,150	1,823,489
Line of credit	13,005,617	5,673,100
	$ 56,391,767	$ 58,081,589

Notes payable mature as follows:

2021	$ 13,365,618
2022	3,860,000
2023	5,416,149
2024	11,100,000
2025	8,725,000
Thereafter	13,925,000
	$ 56,391,767

NOTE 12 - JUNIOR SUBORDINATED DEBENTURES

In connection with capitalizing the Company in 2007, $7,000,000 in floating rate capital securities (Trust Preferred Securities) were issued. The proceeds from the sale of the Trust Preferred Securities and the issuance of $217,000 in common securities to the Company were used to purchase an equivalent amount of Junior Subordinated Debentures issued by the Company.

NOTE 12 - JUNIOR SUBORDINATED DEBENTURES - CONTINUED

The Company owns 100% of the common securities of the Delaware statutory trust formed by the Company for the sole purpose of issuing the mandatorily redeemable preferred securities. The Trust Preferred Securities represent preferred undivided beneficial interests in the assets of the trusts and are subject to mandatory redemption upon repayment of the Junior Subordinated Debentures.

The Company's obligations under the Junior Subordinated Debentures and related agreements, taken together, constitute a full and unconditional guarantee by the Company of the Trust Preferred Securities.

Interest in connection with the Trust Preferred Securities is payable quarterly and accrues at an annual rate equal to the 3-month LIBOR plus 1.64%. The Trust Preferred Securities mature in 2037, unless the Company elects and obtains any required regulatory approvals to redeem the Trust Preferred Securities. The principal and interest payments on the Junior Subordinated Debentures are in a superior position to the liquidation rights of holders of the Company's common stock but are junior in position to the subordinated promissory notes (see Note 11).

The Company has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not to exceed 20 consecutive quarterly periods, provided that no deferral period may extend beyond the stated maturity date of the Junior Subordinated Debentures, and further provided that the Company may not declare or pay any dividends or enter into certain other debt and equity transactions during such deferral period.

With certain exceptions, the amount of the principal and any accrued and unpaid interest on the debentures are subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

The Trust Preferred Securities qualify as Tier I capital for regulatory reporting purposes. The following is a summary of the outstanding Trust Preferred Securities issued by the trust and the Junior Subordinated Debentures issued by the Company to the trust as of December 31, 2020 and 2019:

	Trust Preferred Securities Issued by Trust	Junior Subordinated Debentures Held by Trust	Interest Rate	Issuance Date	Maturity Date
B.T. Holding Trust I	$ 7,000,000	$ 7,217,000	Variable Rate at LIBOR +1.64% (1.865% at December 31, 2020)	5/30/2007	9/6/2037

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF - BALANCE SHEET RISK

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and financial guarantees written is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF - BALANCE SHEET RISK - CONTINUED

The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained by the Company upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

Standby letters of credit are conditional commitments issued by the Company 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 customers. The Company holds various types of collateral on standby letters of credit, including equipment and certificates of deposit. The extent of the collateral held for those commitments at December 31, 2020, was in a range from -0- to 100 percent.

At December 31, 2020 and 2019, financial instruments whose contract amounts represented credit risk were as follows:

	2020	2019
Commitments to extend credit	$ 448,370,000	$ 373,893,494
Letters of credit	5,396,763	5,017,330

The Company maintains balances at certain financial institutions in excess of the FDIC insured limit. The financial strength and solvency of these institutions are routinely monitored.

NOTE 14 - CONTINGENT LIABILITIES

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In addition, the Company is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial condition of the Company.

NOTE 15 - EMPLOYEE BENEFIT PLANS

The Company created the “B. T. Holdings, Inc. Employee Stock Ownership Plan with 401(k) Provisions” (KSOP) to provide employees the opportunity to acquire beneficial interests in the common stock of the Company funded through contributions made by the Company. The Company commits to contribute a matching contribution of 100% of the employee’s elective contributions up to 3% of compensation, plus 50% of the elective contributions in excess of 3% up to 6% of the employee’s compensation. This “safe harbor” contribution is fully vested and non-forfeitable at all times. In addition to the safe harbor contribution, every year the Company will decide whether to make a non-elective, or optional, contribution to the KSOP and the amount of any such contribution. Optional contributions are allocated to participants as a match to participant deferrals. For the years ended December 31, 2020 and 2019, Company contributions attributable to the Plan amounted to $665,148 and $682,049, respectively.

The Company also offers health, dental, and vision insurance, along with life insurance, short-term disability and long-term disability at no cost to full-time employees who regularly work over 30 hours per week. The Company paid $1,182,586 and $1,175,433 for employee insurance, administration of the various policies, and payroll administration in 2020 and 2019, respectively.

NOTE 16 - STOCK-BASED COMPENSATION

The Company's 2007 Stock Option Plan (2007 Plan) and 2012 Equity Incentive Plan (2012 Plan) provide that 28,500 shares and 2,350,000 shares, respectively, of the Company's common stock will be reserved for the award of incentive stock options (ISO) to purchase shares of common stock. At December 31, 2020, there are 490,321 shares remaining that are reserved for future grants under the 2012 Plan, and no shares remaining under the 2007 Plan. The following is a summary of stock option activity during the years ended December 31, 2020 and 2019:

	Options Issued and Outstanding	Weighted Average Exercise Price
Balance at December 31, 2018	1,408,777	$ 14.52
Granted	115,200	24.94
Exercised	(244,644)	(11.02)
Forfeited or expired	(48,751)	(15.11)
Balance at December 31, 2019	1,230,582	16.15
Granted	24,500	23.78
Exercised	(314,652)	(11.99)
Forfeited or expired	(63,521)	(16.06)
Balance at December 31, 2020	876,909	(17.87)
Exercisable at December 31, 2020	484,627	$ 14.74

As noted in the table above, there were 24,500 and 115,200 options granted in 2020 and 2019, respectively. The Company recognizes the cost of employee services received in exchange for an award of equity investment based on the grant-date fair value of the award. That cost will be recognized over the vesting period of the award. Stock-based compensation expense related to stock options for the years ended December 31, 2020 and 2019 was $964,875 and $917,255 respectively. As of December 31, 2020, there was $2,845,128 of total unrecognized compensation cost related to non-vested stock options that will be expensed over the various vesting periods ending in December 2029.

The weighted-average fair value of options granted in the years ended December 31, 2020 and 2019 was $4.96 and $6.54, respectively, and was estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted-average assumptions.

	2020	2019
Exercise price	$23.78	$24.94
Expected option life (years)	9.0	8.7
Expected volatility	15%	16%
Risk-free interest rate of return	0.80%	1.94%
Annual forfeiture rate	1%	1%

The risk-free interest rate is based on the U.S. Treasury constant maturities yield in effect at the time of the grant. The expected lives are based on the terms of the option agreements and expected volatility is based on the Company's estimated level of volatility.

NOTE 16 - STOCK-BASED COMPENSATION - CONTINUED

At December 31, 2020 and 2019, there were 876,909 and 1,230,582 options issued and outstanding, respectively, had exercise prices and weighted-average remaining contractual lives as follows:

	2020	2019
Exercisable options:		
Options outstanding	484,627	526,084
Weighted-average exercise price	$14.74	$13.02
Weighted-average remaining contractual life (years)	4.7	4.9
Unexercisable options:		
Options outstanding	392,282	704,498
Weighted-average exercise price	$21.73	$18.49
Weighted-average remaining contractual life (years)	7.1	7.0

NOTE 17 - FEDERAL INCOME TAXES

The consolidated provision for federal income taxes consists of the following:

	2020	2019
Current expense	$ 4,681,467	$ 4,967,251
Deferred (benefit) expense	(1,569,077)	274,246
Total income tax expense	$ 3,112,390	$ 5,241,497

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	2020	2019
Federal statutory income tax at 21%	$ 4,268,646	$ 6,440,292
Tax exempt interest	(1,006,629)	(1,139,372)
Stock option expense	(166,060)	(77,850)
Non-deductible expenses	17,672	18,693
Other	(1,239)	(266)
Total income tax expense	$ 3,112,390	$ 5,241,497

Federal income taxes (payable) receivable in other liabilities as of December 31, 2020, and other assets as of December 31, 2019 were as follows:

	2020	2019
Current (payable) receivable	$ (97,759)	$ 132,854
Deferred (payable) receivable	(309,131)	100,874
Federal income taxes (payable) receivable	$ (406,890)	$ 233,728

NOTE 17 - FEDERAL INCOME TAXES - CONTINUED

The components of the deferred tax assets and liabilities at December 31, 2020 and 2019, in the accompanying consolidated balance sheets consist of the following:

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 4,422,832	$ 2,820,465
Other real estate	32,550	32,550
Other	24,674	18,305
Gross deferred tax assets	4,480,056	2,871,320
Deferred tax liabilities:		
Unrealized gain on available for sale securities	(3,327,814)	(1,348,732)
Depreciable assets	(1,222,117)	(1,196,544)
Mortgage servicing rights	(103,972)	(98,122)
Intangibles	(68,885)	(68,885)
Other	(66,399)	(58,163)
Gross deferred tax liabilities	(4,789,187)	(2,770,446)
Net deferred tax (liability) asset	$ (309,131)	$ 100,874

NOTE 18 - REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios.

The capital conservation buffer has been phased in at the rate of 0.625% per year from 0.0% in 2015 to 2.50% on January 1, 2019. The capital conservation buffer was 2.50% for 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020, the Bank meets all capital adequacy requirements to which they are subject.

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

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the CARES Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

NOTE 18 - REGULATORY MATTERS - CONTINUED

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. 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.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2020, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The following table outlines the regulatory components of the Bank's capital and capital ratios under the rules applicable at December 31, 2020 and 2019, respectively.

The following tables outline the regulatory components of the Company's and Bank's capital and capital ratios under the rules applicable on December 31, 2020 and 2019, respectively:

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
December 31, 2020:				
Tier 1 (Core) capital to average total assets				
Consolidated	$ 187,354,000	9.58%	$ 156,393,120	8.00%
BTH Bank	241,996,000	12.38%	156,398,320	8.00%

	Actual		Minimum Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio *	Amount	Ratio
December 31, 2019:						
Total capital to risk-weighted assets						
Consolidated	$ 245,015,000	16.74%	$ 153,639,434	10.500%		n/a
BTH Bank	261,333,000	17.86%	153,610,590	10.500%	$ 146,295,800	10.00%
Tier 1 capital to risk-weighted assets						
Consolidated	192,283,000	13.14%	124,374,780	8.500%		n/a
BTH Bank	247,902,000	16.95%	124,351,430	8.500%	117,036,640	8.00%
Common equity tier 1 capital						
Consolidated	185,066,000	12.65%	102,426,289	7.000%		n/a
BTH Bank	247,902,000	16.95%	102,407,060	7.000%	95,092,270	6.50%
Leverage capital to average assets						
Consolidated	192,283,000	10.72%	71,172,880	4.000%		n/a
BTH Bank	247,902,000	13.83%	71,725,080	4.000%	89,656,350	5.00%

*Table includes capital conservation buffer of 2.50% in 2019.

NOTE 19 - CONCENTRATIONS OF CREDIT

Most of the Company's business activity is with customers located within the state. Investments in state and municipal securities primarily involve Texas governmental entities. The Company also maintains deposits with other financial institutions in amounts that exceed FDIC insurance coverage. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Generally, the Company's policy is to require collateral on loans. Collateral requirements for financings vary depending on the type of collateral involved, the equity of the borrower or project, and other subjective factors. Unsecured credit is granted to business concerns and individuals only if supported by satisfactory current financial statements and credit history.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. The Company's statutory legal lending limit as of December 31, 2020, was $39,803,427, which limits the amount of credit that can be extended to any single borrower or group of related borrowers. The Company has been approved by the Office of the Comptroller of the Currency to participate in the Supplemental Lending Limit Program (SLLP) whereby the Company may extend credit up to approximately $62,253,156 for agriculture, small business and single-family mortgages.

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

The Company extends credit on a regular basis in the form of federal funds sold and certificates of deposit purchased from certain third-party correspondent banks. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of Federal Deposit Insurance Corporation (FDIC) insurance to present no significant additional risk to the Company.

NOTE 20 - OTHER INCOME AND OTHER EXPENSE

Other income consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Check income	$ 24,145	$ 41,540
Return item fee	102,691	152,197
Safe deposit box rental	34,949	36,384
Wire transfer fee	88,760	84,071
Gain on sale of securities	61,717	370,356
Gain on sale of premises and equipment	9,820	-
Other non-interest income	87,878	122,729
	$ 409,960	$ 807,277

NOTE 20 - OTHER INCOME AND OTHER EXPENSE - CONTINUED

Other expenses consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Advertising	$ 101,599	$ 541,647
ATM expenses	625,588	491,484
Data processing	634,812	656,302
Directors fees	335,075	294,825
eBank expenses	314,337	292,959
FDIC assessment	335,000	208,254
Legal and professional fees	673,524	690,540
Examination and compliance	388,260	423,429
Other real estate expenses	20,549	102,296
Software maintenance	992,055	619,259
Telephone	444,812	422,183
Charitable contributions	264,900	136,443
Other operating expenses	1,435,019	1,343,811
	$ 6,565,530	$ 6,223,432

NOTE 21 - UNUSED LINES OF CREDIT

As of December 31, 2020, the Company had an unused commitment from a commercial bank to fund purchases of federal funds totaling $7,500,000. The line renews annually and has no expiration date but may be terminated at any time at the sole discretion of the commercial bank without notice to any party. Each advance of federal funds requested shall be made available only if the commercial bank elects to do so at its sole discretion. All advances are due and payable in full on the next business day after the date of borrowing. The commercial bank, at its sole discretion, may permit advances to be renewed daily and may require security prior to advancing funds.

As of December 31, 2020, the Company had a second unused commitment from another commercial bank to fund purchases of federal funds totaling $15,000,000. Each advance of federal funds requested shall be made on an as-available basis. All advances are unsecured and are due and payable in full on the next business day after the date of borrowing. If an advance remains outstanding more than ten consecutive business days, the commercial bank requires that government securities be pledged as collateral to secure the advance. If an advance remains outstanding for more than fifteen consecutive business days, the commercial bank, at its sole discretion, may require the advance to be converted to a loan with a specified repayment program.

The Company is a member of the FHLB. As a member, the Company is eligible to borrow money for varying amounts and terms. The maximum borrowing capacity is recalculated each quarter by the FHLB. All advances are collateralized by a blanket lien on real estate secured loans. The maximum borrowing capacity at December 31, 2020, net of outstanding advances and letters of credit, was $364,321,720.

The Company maintains a line of credit from the Federal Reserve Bank of Dallas' discount window. The bank has pledged its commercial and agricultural loans to secure this line of credit. The maximum borrowing capacity is recalculated monthly by the Federal Reserve Bank, based on the current balance of loans pledged. As of December 31, 2020, the Bank had $450,614,496 of available borrowing capacity through the discount window. There are currently no borrowings outstanding under this line of credit.

NOTE 22 - FAIR VALUE MEASUREMENTS

ASC 820 "Fair Value Measurements," defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 22 - FAIR VALUE MEASUREMENTS - CONTINUED

ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - 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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Investment securities: Fair values for securities are based on quoted market prices or dealer quotes. (Level 1) If a quoted market price is not available, fair value is estimated using quoted market prices for similar instruments. (Level 2). The carrying values of restricted stock are approximately fair value.

Loans Held for Sale: Loans held for sale are carried at the lower of cost or fair value, which is evaluated on a pool-level basis. The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market date, such as outstanding commitments from third party investors (Level 2).

Mortgage Servicing Rights: On a quarterly basis, mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. If the carrying amount of an individual tranche exceeds fair value, impairment is recorded on that tranche so that the servicing asset is carried at fair value. Fair value is determined at a tranche level, based on market prices for comparable mortgage servicing contracts (Level 3), when available, or alternatively based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilized interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data (Level 3).

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches included comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, additional impairment and adjusted in accordance with the allowance policy (Level 3).

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. (Level 3).

NOTE 22 - FAIR VALUE MEASUREMENTS - CONTINUED

The following tables summarize quantitative disclosures about the fair value measurements for each category of financial assets carried at fair value as of December 31, 2020 and 2019. The Company had no financial liabilities carried at fair value at December 31, 2020 and 2019.

Fair value measurements for each category of financial assets carried at fair value at December 31, 2020 were:

	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Description:				
U. S. Treasury	$ 99,951,371	$ 99,951,371	$ -	$ -
Municipal securities	262,678,615	-	262,678,615	-
Mortgage-backed securities	7,090,123	-	7,090,123	-
Corporate Bonds	4,007,690	-	4,007,690	-
Mortgage servicing rights	495,106	-	-	495,106
Total assets at fair value on a recurring basis	374,222,905	99,951,371	273,776,428	495,106
Impaired Loans:				
Real estate:				
Residential	3,683,574	-	-	3,683,574
Non-residential	8,301,255	-	-	8,301,255
Consumer	154,270	-	-	154,270
Commercial and industrial	33,338,686	-	-	33,338,686
Other real estate owned	200,000	-	-	200,000
Total assets at fair value on a nonrecurring basis	45,677,785	-	-	45,677,785
Total	$ 419,900,690	$ 99,951,371	$ 273,776,428	$ 46,172,891

NOTE 22 - FAIR VALUE MEASUREMENTS - CONTINUED

Fair value measurements for each category of financial assets carried at fair value at December 31, 2019 were:

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Description:				
U. S. Treasury	$ 133,949,779	$ 133,949,779	$ -	$ -
Municipal securities	214,258,438	-	214,258,438	-
Mortgage-backed securities	30,259,042	-	30,259,042	-
Mortgage servicing rights	467,246	-	-	467,246
Total assets at fair value on a recurring basis	378,934,505	133,949,779	244,517,480	467,246
Impaired Loans:				
Real estate:				
Residential	735,977	-	-	735,977
Non-residential	9,065,834	-	-	9,065,834
Commercial and industrial	17,255,602	-	-	17,255,602
Other real estate owned	200,000	-	-	200,000
Total assets at fair value on a nonrecurring basis	27,257,413	-	-	27,257,413
Total	$ 406,191,918	$ 133,949,779	$ 244,517,480	$ 27,724,659

The table below sets forth the activity related to Level 3 assets on a recurring basis:

	2020	2019
Beginning Balance:	$ 467,246	$ 418,055
Servicing rights capitalized during the year	448,007	123,569
Servicing rights amortized during the year	(420,147)	(74,378)
Ending Balance:	$ 495,106	$ 467,246

NOTE 23 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2020

	B.T. Holdings, Inc.	BTH Bank	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ 2,062,161	$ 282,499,419	$ (2,062,161)	$ 282,499,419
Investment securities available-for-sale	-	373,727,799	-	373,727,799
Investment in subsidiary	254,842,513	-	(254,842,513)	-
Loans, net of allowance	-	1,281,512,554	-	1,281,512,554
Loans held for sale	-	1,725,811	-	1,725,811
Premises and equipment, net	-	18,955,318	-	18,955,318
Other real estate owned	-	200,000	-	200,000
Restricted equity securities, at cost	-	5,871,653	-	5,871,653
Accrued interest receivable	-	6,665,080	-	6,665,080
Goodwill	13,863,415	328,034	-	14,191,449
Other assets	217,000	1,626,527	-	1,843,527
Total assets	$ 270,985,089	$ 1,973,112,195	$ (256,904,674)	$ 1,987,192,610
LIABILITIES				
Deposits:				
Noninterest-bearing deposits	$ -	$ 346,624,138	$ (2,062,161)	$ 344,561,977
Interest-bearing deposits	-	1,364,304,837	-	1,364,304,837
Total deposits	-	1,710,928,975	(2,062,161)	1,708,866,814
Securities sold under repurchase agreements	-	4,768,331	-	4,768,331
Junior subordinated debentures	7,217,000	-	-	7,217,000
Notes payable	56,391,767	-	-	56,391,767
Accrued interest payable	501,377	663,976	-	1,165,353
Other liabilities	27,162	1,908,400	-	1,935,562
Total liabilities	64,137,306	1,718,269,682	(2,062,161)	1,780,344,827
STOCKHOLDERS' EQUITY				
Capital stock	11,958,141	625,000	(625,000)	11,958,141
Additional paid-in capital	145,529,968	156,587,579	(156,587,579)	145,529,968
Retained earnings	75,812,272	85,111,016	(85,111,016)	75,812,272
Treasury stock, at cost	(34,603,531)	-	-	(34,603,531)
KSOP commitment	(4,367,985)	-	-	(4,367,985)
Accumulated other comprehensive income	12,518,918	12,518,918	(12,518,918)	12,518,918
Total stockholders' equity	206,847,783	254,842,513	(254,842,513)	206,847,783
Total liabilities and stockholders' equity	$ 270,985,089	$ 1,973,112,195	$ (256,904,674)	$ 1,987,192,610

See accompanying notes to
consolidated financial statements.

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

	B.T. Holdings, Inc.	BTH Bank	Eliminations	Consolidated
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans	$ 192,631	$ 65,037,991	$ -	$ 65,230,622
Interest on investment securities:				
Taxable	-	1,475,345	-	1,475,345
Tax-exempt	-	5,371,462	-	5,371,462
Dividend income on securities	5,542	309,294	-	314,836
Other	-	280,613	-	280,613
Total interest and dividend income	198,173	72,474,705	-	72,672,878
INTEREST EXPENSE				
Interest on deposits	-	16,075,516	-	16,075,516
Interest on promissory notes	2,310,957	-	-	2,310,957
Interest on junior subordinated debentures	174,198	-	-	174,198
Interest on Federal Home Loan Bank Advances	-	3	-	3
Interest on other borrowings	517,351	-		517,351
Other	-	1,033	-	1,033
Total interest expense	3,002,506	16,076,552	-	19,079,058
Net interest (expense) income	(2,804,333)	56,398,153	-	53,593,820
PROVISION FOR LOAN LOSSES	-	12,115,000	-	12,115,000
Net interest (expense) income after provision for loan losses	(2,804,333)	44,283,153	-	41,478,820
OTHER INCOME				
Service charges and fees on deposits	-	2,071,261	-	2,071,261
Equity in earnings of subsidiary	(5,906,581)	-	5,906,581	-
Dividend income	26,418,625	-	(26,418,625)	-
Other income	-	409,960	-	409,960
Total other income	20,512,044	2,481,221	(20,512,044)	2,481,221
OTHER EXPENSES				
Salaries and employee benefits	964,875	12,244,113	-	13,208,988
Occupancy and equipment expense	-	3,858,639	-	3,858,639
Other expenses	148,420	6,417,110	-	6,565,530
Total other expenses	1,113,295	22,519,862	-	23,633,157
Earnings before provision for federal income taxes	16,594,416	24,244,512	(20,512,044)	20,326,884
Federal income tax (benefit) expense	(620,078)	3,732,468	-	3,112,390
NET EARNINGS	$ 17,214,494	$ 20,512,044	$ (20,512,044)	$ 17,214,494

See accompanying notes to
consolidated financial statements.

B. T. HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	B.T. Holdings, Inc.	BTH Bank	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	$ 17,214,494	$ 20,512,044	$(20,512,044)	$ 17,214,494
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation expense	-	1,480,385	-	1,480,385
Net gain on sale of securities	-	(61,716)	-	(61,716)
Net loss on sale and disposal of premises and equipment	-	(9,820)	-	(9,820)
Provision for loan losses	-	12,115,000	-	12,115,000
Net amortization of investment premium and discount	-	3,056,467	-	3,056,467
Stock based compensation expense	964,875	-	-	964,875
Originations of loans held for sale	-	(92,917,749)	-	(92,917,749)
Proceeds from sales of loans	-	89,985,287	-	89,985,287
Net gains included in earnings, from loans held for sale	-	1,206,650	-	1,206,650
Equity in undistributed earnings of subsidiary	5,906,580	-	(5,906,580)	-
Decrease in other assets	-	659,145	-	659,145
(Increase)/decrease in Federal income tax receivable	12,383	(1,350,846)	-	(1,338,463)
Decrease in accrued interest receivable	-	324,977	-	324,977
Decrease. in accrued interest payable	(290,262)	(951,232)	-	(1,241,494)
Decrease in other liabilities	(13,231)	(135,227)	-	(148,458)
Net cash provided by operating activities	23,794,839	33,913,365	(26,418,624)	31,289,580
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of premises and equipment	-	(1,070,336)	-	(1,070,336)
Proceeds from sale of premises and equipment	-	43,000	-	43,000
Purchase of investment securities available-for-sale	-	(3,564,190,302)	-	(3,564,190,302)
Net decrease in restricted equity securities	-	(9,400)	-	(9,400)
Proceeds from sales, maturities, calls and paydowns of securities available-for-sale	-	3,575,359,212	-	3,575,359,212
Net decrease in loans	-	35,922,015	-	35,922,015
Net cash provided by investing activities	-	46,054,189	-	46,054,189
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in non-interest bearing deposits	-	103,314,957	1,002,555	104,317,512
Net increase in interest-bearing deposits	-	75,502,770	-	75,502,770
Net increase in securities sold under agreements to repurchase	-	1,728,002	-	1,728,002
Decrease in KSOP note payable	(872,340)	-	-	(872,340)
Change in KSOP commitment	(24,477)	-	-	(24,477)
Proceeds from other notes payable	8,332,520	-	-	8,332,520
Repayments of other notes payable	(1,000,000)	-	-	(1,000,000)
Proceeds from FRB Discount Window advances	-	1,000,000	-	1,000,000
Repayment of FRB Discount Window advances	-	(1,000,000)	-	(1,000,000)
Proceeds from FHLB advances	-	1,000,000	-	1,000,000
Repayment of FHLB advances	-	(1,000,000)	-	(1,000,000)
Dividends paid	(10,407,634)	(26,418,625)	26,418,625	(10,407,634)
Proceeds from exercise of stock options	3,637,772	-	-	3,637,772
Retirement of subordinated promissory notes	(8,150,000)	-	-	(8,150,000)
Purchase of treasury stock	(16,313,236)	-	-	(16,313,236)
Net cash (used in) provided by financing activities	(24,797,395)	154,127,104	27,421,180	156,750,889
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,002,556)	234,094,658	1,002,556	234,094,658
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,064,717	48,404,761	(3,064,717)	48,404,761
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,062,161	$ 282,499,419	$ (2,062,161)	$ 282,499,419

See accompanying notes to
consolidated financial statements.