

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

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

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

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

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

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

December 31, 2020

Month / Day / Year

N/A

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

Reporter's Name, Street, and Mailing Address

I, **Alan L. Lackey**

Name of the Holding Company Director and Official

Chairman/CEO

Title of the Holding Company Director and Official

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

Lone Star State Bancshares, Inc.

Legal Title of Holding Company

6220 Milwaukee Avenue

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

Lubbock

TX

79424

City

State

Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

LaNell Martindale

SVP

Name

Title

806-771-7717

Area Code / Phone Number / Extension

806-771-9658

Area Code / FAX Number

lmartindale@lonestarwtx.com

E-mail Address

N/A

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

Signature of Holding Company Director and Official

03/04/2021

Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID _____

C.I. _____

Is confidential treatment requested for any portion of this report submission?

0=No	<input type="checkbox"/>
1=Yes	<input checked="" type="checkbox"/>

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."

**LONE STAR STATE BANCSHARES, INC.
6220 Milwaukee Avenue
Lubbock, Texas 79424**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD June 3, 2021 AT 5:00 P.M.**

To the Shareholders of Lone Star State Bancshares, Inc.:

The 2021 Annual Meeting of the Shareholders of Lone Star State Bancshares, Inc. will be held on Thursday, June 3, 2021, at 5:00 p.m., local time, at our office, 6220 Milwaukee Avenue, Lubbock, Texas. At the meeting, shareholders will be asked to:

1. Elect directors; and
2. Consider any other business that may properly come before the meeting or any adjournment of the meeting.

The matters to be considered at the annual meeting are more fully discussed in the attached proxy statement, which we urge you to read carefully. Shareholders of record at the close of business on April 22, 2021, our record date, are entitled to receive notice of, and to vote at, the annual meeting or any adjournment or postponement of the meeting.

You are cordially invited to attend the meeting in person. However, whether or not you expect to attend the meeting in person, we urge you to sign, date and return the enclosed proxy sheet at your earliest convenience. This will ensure the presence of a quorum at the meeting and that your shares are voted in accordance with your wishes. For your convenience, we have enclosed a self-addressed, stamped envelope for the return of your proxy. Your prompt response will help reduce the cost of soliciting proxies, which are paid for by our company. Sending in your proxy will not prevent you from voting your stock at the meeting if you desire to do so, as your proxy is revocable at your option. You may revoke your proxy at any time before it is voted at the meeting in the manner described in the section of the proxy statement titled "*General Information About the Meeting — Can I change my vote?*" Any executed but unmarked proxy sheets that we receive will be voted in favor of the directors nominated by the board.

BY ORDER OF THE BOARD OF DIRECTORS

April 22, 2021
Lubbock, Texas

Alan Lackey
Chairman & Chief Executive Officer

**PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD June 3, 2021**

This proxy statement contains information about the 2021 Annual Meeting of Shareholders of Lone Star State Bancshares, Inc. The meeting is scheduled to be held on Thursday, June 3, 2021, beginning at 5:00 p.m., at our office, located at 6220 Milwaukee Avenue, Lubbock, Texas.

This proxy statement is furnished to you in connection with the solicitation of proxies by our board of directors. *When we refer in this proxy statement to “the Company,” “we,” “our,” and “us,” we are referring to Lone Star State Bancshares, Inc. unless the context indicates otherwise. When we refer in this proxy statement to “the Bank,” we are referring to Lone Star State Bank of West Texas unless the context indicates otherwise.*

GENERAL INFORMATION ABOUT THE MEETING

What is the purpose of the annual meeting?

At the annual meeting, you will be asked to elect directors and consider any other business that may properly come before the meeting or any adjournment of the meeting.

How many votes do I have?

You will have one vote for every share of common stock that you owned on April 22, 2021, our record date.

How many votes can be cast by all shareholders?

As of April 22, 2021, 5,970,511 shares of common stock were issued and outstanding and held of record by approximately 174 shareholders.

How many votes must be present to hold the meeting?

In order for business to be conducted at the meeting, a quorum must be present. A quorum consists of a majority of the shares of common stock issued and outstanding on the record date and entitled to vote, or at least 2,985,256 shares. Shares of common stock represented at the annual meeting in person or by a properly executed proxy (including shares that abstain or do not vote with respect to one or more of the matters to be acted upon) will be counted for purposes of determining whether a quorum exists. If a quorum does not exist, the annual meeting will be adjourned until a quorum is obtained. Accordingly, we urge you to vote by proxy even if you plan to attend the meeting; so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

How do I vote?

You may vote by completing and returning the enclosed proxy sheet or by voting in person at the meeting. We encourage you to attend the annual meeting, and execution of the enclosed proxy will not affect your right to attend the meeting and vote in person. However, to ensure that your shares are voted in accordance with your wishes and that a quorum is present at the meeting so that we can transact business, we urge you to complete, sign and return the enclosed proxy sheet to us as promptly as possible in the enclosed, self-addressed, stamped envelope. Your prompt response will help reduce proxy costs, which are paid for by the Company.

Voting by proxy. If you vote by proxy, your proxy will be voted in accordance with your instructions. If you execute a proxy, but do not specify a choice on the election of directors, your proxy will be voted “**FOR**” the persons nominated by our board of directors to serve as directors. Our board of directors does not know of any other matters to be presented for a vote at the annual meeting, other than the election of directors. If any other matters are brought before the annual meeting, the persons named in the proxies, acting under the proxy, would have the discretion to vote on those matters in accordance with their best judgment.

Voting in person. If you attend the meeting, you may deliver your completed proxy sheet in person or you may vote by completing a ballot which will be available at the meeting.

Can I change my vote?

Yes, you may change your vote by sending in a new proxy sheet with a later date, or by sending a written notice of revocation to the Secretary of the Company at the address on the Notice of Annual Meeting of Shareholders. To be effective, the new proxy sheet or written revocation must be received by the Secretary prior to the exercise of the proxy at the annual meeting. If you attend the meeting and want to vote in person, you can deliver a written revocation of your proxy to the Secretary at the meeting, and you will receive a ballot to vote at the meeting. However, mere attendance at the shareholders’ meeting will not of itself revoke a proxy.

What if my shares are not registered in my name?

If your shares are not registered in your name, you will need to bring appropriate documentation from the record shareholder to vote in person at the annual meeting. If you have any questions regarding the documentation required, please contact LaNell Martindale at (806) 771-7717.

What happens if the meeting is postponed or adjourned?

Your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

What vote is required to approve the election of directors?

The affirmative vote of a plurality of the votes cast in person or by proxy at the annual meeting is required for the election of directors. Abstentions and broker non-votes will have no legal effect on the election of directors. As of April 22, 2021, our executive officers and directors owned beneficially 1,627,203 shares, or approximately 26.824% of our outstanding common stock. These individuals have indicated that they intend at this time to vote their shares in favor of the directors nominated by the board.

What does the board recommend?

Our board of directors has unanimously approved and recommends that you vote “**FOR**” the directors nominated by the board.

Are there any other matters to be voted on at the meeting?

We know of no other business that is likely to be brought before the annual meeting. If any other matters are properly brought before the meeting, or any adjournment thereof, the persons named in the proxies, acting under the proxy, will have discretion to vote on those matters in accordance with their best judgment.

ITEM ONE – ELECTION OF DIRECTORS

Our board of directors currently consists of seven members, each of which is to be elected at the annual meeting. The board has nominated the following seven individuals to serve as directors of the Company until the 2022 annual meeting of shareholders: Frosty Gilliam, Jr., Mark Hallgren, Alan Lackey, Charles E. Needham, William Wade Porter, Clifton E. Bickerstaff and Brent Wade. Each of the nominees currently serves as a director of the Company. The directors elected at the annual meeting will hold office until the next annual meeting of shareholders or until their respective successors are elected and qualified. Information concerning the nominees is set forth below.

Clifton (“Cliff”) Bickerstaff is currently a Director and Executive Vice President for Amarillo National Bank, a \$7.4 Billion bank headquartered in Amarillo, TX. A native of Sweetwater, Texas, he graduated from Texas Tech University with a bachelor’s degree in Agricultural Economics in 1984, at which time he began his banking career with First National Bank of Amarillo. After spending 11 years in lending at FNBA, he joined ANB in 1995, where he remains active in commercial lending and asset management, including 8 years as Senior Trust Officer for ANB (1998-2006). Cliff is a past Chairman of the Amarillo Area Foundation, and the Amarillo Economic Development Corporation, while also serving on numerous non-profit Boards in the past. He currently serves as a Board member for the Amarillo-Potter Events Venue District. In addition to his 37 years of banking experience, Cliff has been a stockholder of LSSB since our founding in 2007.

Frosty Gilliam, Jr. has served as a director of the Company and the Bank since our inception in 2007. Mr. Gilliam is a 1980 graduate of Texas A&M University with a Bachelor of Science degree in Petroleum Engineering. After graduation, Mr. Gilliam began his career in the oil and gas industry with Amoco Production Company for four years, then Oxoco, Inc. for three years and a small company in Dallas for ten months before returning to Odessa in April 1988 to begin Aghorn Energy, Inc. Mr. Gilliam was inducted into the Texas A&M Petroleum Engineering Academy of Distinguished Graduates in 2009 and recognized by the Texas A&M Dwight Look College of Engineering as an Outstanding Alumni in 2012. In 2017 Mr. Gilliam and his wife, Rhonda, were honored with the Sterling C. Evans Award which is the highest award presented by the Texas A&M Foundation and in 2020 the Gilliam’s were recognized with the highest award given by Texas A&M 12th Man Foundation, the E. King Gill Award. Mr. Gilliam presently serves on the Texas A&M Petroleum Engineering Advisory Board. Rhonda and Frosty have been married for over 36 years. They have two children, Matt and Laura and two grandchildren, Jaiden and Faylynn. Mr. Gilliam and Rhonda reside in Odessa where he is actively involved in First Baptist Church, numerous charities and serves on the board of the Permian Basin Mission Center.

Mark S. Hallgren, AHC has served as a director of the Company and the Bank since our inception in 2007. Mr. Hallgren is the co-founder and president of the Hallgren Company, a life safety and security consulting entity and distributor of architectural doors, frames and hardware as well as other building specialties for use in commercial construction projects. Founded in 1975, The Hallgren Company has experienced steady growth through expansion and acquisitions. From the original location in Lubbock, Texas, the company has offices in Midland and Ft. Worth, Texas; Albuquerque, New Mexico; Colorado Springs, Colorado; Las Vegas, Nevada and Phoenix, Arizona. Mr. Hallgren is known and respected industry wide for his life safety expertise. His knowledge of building codes, life safety and security applications is relied upon by the commercial building industry on a daily basis. Mr. Hallgren obtained his AHC (Architectural Hardware Consultant) accreditation in 1980 at the age of 20, one of the youngest recipients in the history of the industry. He has served as President of the Door and Hardware Institute, an international non-profit organization with 5,000 members dedicated to the advancement of life safety

and security. He is Past President and board member of the Door Security and Safety Foundation. Their mission is to promote secure and safe openings that enhance life safety through awareness and education to the building design, code authority, and facility management communities. He is also actively involved as an officer and/or Director in 16 other corporations of various industries ranging from manufacturing to aviation and trustee over several large commercial trusts. Many of these entities are involved in the construction industry and have significant real estate holdings. Mr. Hallgren has been a resident of Lubbock, Texas and a successful business owner in the West Texas area for over 46 years.

Alan Lackey has served as a director of the Company and Bank and as Chairman, President and Chief Executive Officer since the Bank's inception in 2007. Mr. Lackey has been actively engaged in banking for the past 39 years. After graduating with an undergraduate degree in accounting in 1980 and a Masters in Business Administration from Baylor University in 1982, Mr. Lackey joined MBank Dallas, N.A., a \$20 billion regional bank, where he served until 1990. When he left the bank, which was acquired during his employment by Bank One (later acquired by Chase), he was Manager of the Correspondent Banking Department. He joined First National Bank, Lubbock, Texas, a subsidiary of the Ford Bank Group, Inc., Lubbock, Texas, where he ultimately managed commercial and real estate lending for the \$1 billion Lubbock office. First National Bank was acquired by Norwest Corporation, (which later merged with Wells Fargo & Co.) during his employment with the bank. Mr. Lackey left Wells Fargo to join State National Bank in 1996. He was there until 2007. His final five years, he served as Executive Vice President and Chief Credit Officer of State National Bancshares, Inc., which grew to be a \$1.7 billion dollar publicly traded commercial banking company with offices in 18 Texas and New Mexico communities. In this role, Mr. Lackey oversaw and was responsible for all loans, lending activity, and lending operations in a total loan portfolio of almost \$1.1 billion. State National Bancshares was acquired by BBVA Compass in 2006. In 2007, Mr. Lackey joined with others in founding Lone Star State Bank. Mr. Lackey has held various board and leadership positions with numerous organizations, including United Way, Lakeridge United Methodist Church, Texas Bankers Association, American Bankers Association, Federal Reserve Bank of Dallas Community Bank Advisory Council, and Early Learning Centers in Lubbock.

Charles E. Needham has served as a director of the Company and the Bank since our inception in 2007. Mr. Needham moved to Lubbock from Dalhart, Texas in 1980. He attended and graduated from Texas Tech with a Finance Degree emphasizing in investments. Upon graduating from college, Mr. Needham began selling Real Estate being employed by Jim Wills Realtors. In 1987, he began his career with the Stryker Corporation in orthopedic sales. He formed his own distributorship and began Omni-Tex Medical in 1992 selling a complete line of medical products in West Texas and New Mexico, including Stryker products. In 1997 he formed a property company, Needham Properties, Inc., owning and managing commercial and residential real estate. Mr. Needham continues to sell medical products along with investing in real estate.

Wade Porter has served as a director of the Company and the Bank since our inception in 2007. Mr. Porter has more than 40 years of banking experience and currently serves as a director and Executive Vice President/Senior Lending Officer of Amarillo National Bank, a \$7.4 billion asset commercial bank based in Amarillo, Texas. Mr. Porter began his banking career in 1980 as a teller with Plains National Bank, Lubbock, Texas and First National Bank, Lubbock, Texas while attending Texas Tech University. After graduating in 1983 with his Bachelor of Business Administration degree in finance, he joined Mercantile National Bank, Dallas, Texas (which was renamed to MBank Dallas, N.A. on October 15, 1984) in its credit training program, before becoming a commercial lender and correspondent banker with MBank in 1985 and rising to First Vice President and Department Manager of the Correspondent Banking Department. He left MBank's successor, Bank One, Texas N.A., to join Amarillo National Bank in 1991.

Brent Wade is retired from Amarillo National Bank with 40 years experience, 37 as a commercial lender. He retired from Amarillo National Bank as Senior Vice President of Commercial Lending at in December of 2019. He has been a shareholder of Lone Star State Bank since its inception in 2007. Brent has served on Baptist Community Services Board of Trustees and its Investment Committee since 2015. He has also been a board member of High Plains Epilepsy Foundation, a volunteer for United Way, High Plains Enterprises and is a deacon at his church in Amarillo for the past twenty years. He is a 1978 graduate of West Texas State University with a Bachelor of Business Administration in Business Management.

Voting

The directors will be elected by a plurality of votes cast, in person or by proxy, at the annual meeting. The persons named in the enclosed proxy will vote to elect the nominees as directors, unless you withhold authority to vote for the election of the nominees as directors by marking the proxy to that effect. The nominees have indicated a willingness to serve, if elected, but if any nominee should be unable or unwilling to serve, proxies may be voted for a substitute nominee designated by our board of directors.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of common stock by:

- each person known to us to own beneficially more than 5% of our common stock,
- each of our executive officers and directors, and
- all directors and executive officers, as a group.

The number of shares indicated in the table as beneficially owned, and the percentage ownership information, is based on “beneficial ownership” concepts as defined by the federal securities laws. In general, beneficial ownership includes shares owned by spouses, minor children and other relatives residing in the same household, trusts, partnerships, corporations or deferred compensation plans which are affiliated with the principal, as well as shares of common stock issuable upon exercise of stock options and other rights beneficially owned that are exercisable on or before April 22, 2021.

The beneficial ownership concept is broad and may result in the attribution of the same shares to multiple persons. For example, our Employee Stock Ownership Plan is managed by three trustees. Under the “beneficial ownership rules”, all of those shares are attributable to each trustee, and each beneficiary is also shown as beneficially owning the shares in his/her account. In addition, the shares held by a trust will be attributable to all the trustees as well as the beneficiaries. We would caution you against overreliance on the beneficial ownership percentages because they may be misleading as they relate to any specific person, for the reasons described above. However, the collective ownership percentage of the board of directors and management may be more meaningful because the effects of duplication are eliminated in the aggregate percentage.

The applicable percentage of ownership for each shareholder is based on 5,970,511 shares of common stock outstanding as of April 22, 2021. In addition, shares of common stock issuable upon

exercise of options and other rights beneficially owned that are exercisable on or before April 22, 2021, are deemed outstanding for the purpose of computing the percentage ownership of the person holding those options and other rights, and the group as a whole but are not deemed outstanding for computing the percentage ownership of any other person. The address of our directors and executive officers is the same as our address. To our knowledge, unless indicated in the footnotes to this table and pursuant to applicable community property laws, each person named in the table has sole voting and investment power with respect to all shares of common stock attributed to him. The references to ownership are derived from our stock transfer books.

Name	Number of Shares Beneficially Owned [^]	Ownership Percentage
Directors and Executive Officers:		
Brent Beakley	615,093 ^(1,2)	10.29%
Ron Brooks	37,185 ^(1,3)	.62%
Mike Davis	27,839 ^(1,3)	.47%
Frosty Gilliam, Jr.	249,545 ⁽¹⁾	4.18%
Lestie Glover	39,174 ^(1,3)	.66%
Mark Hallgren	128,959 ⁽¹⁾	2.16%
Alan Lackey	191,666 ^(1,3)	3.21%
Edmund McGee	41,260 ^(1,3)	.69%
Charles E Needham	45,401 ⁽¹⁾	.76%
Wade Porter	151,658 ⁽¹⁾	2.54%
R. Michael Richardson	46,181 ⁽³⁾	.77%
Melisa Roberts	617,629 ^(1,2)	10.32%
Kirk Thomas	615,629 ^(1,2)	10.28%
Clifton E Bickerstaff	58,000	.97%
Brent Wade	21,465	.36%
All Directors and Executive Officers, as a group (15 persons)	1,627,203**	26.82%**
Additional Greater Than 5% Shareholders:		
Richard Ware	604,931 ^(4,5,6,8,9)	10.13%
William J Ware	409,660 ^(6,10)	6.86%
William T Ware	379,328 ^(6,7)	6.35%
Mary Savannah Ware Singleton	341,424 ^(6,7)	5.72%
Lone Star State Bancshares, Inc. and Subsidiaries Employee Stock Ownership Plan	571,629	9.57%

Notes to beneficial ownership table

[^] Beneficial ownership includes shares owned by trusts for which the individual acts as joint trustee, shares owned by trusts that benefit the individual shown, shares owned personally and/or vested options.

** The number of shares and percentage shown is not a total of these columns. It represents the shares and percentage for which directors and executive officers have voting or beneficial control.

- (1) Includes shares issuable upon exercise of vested options as follows: Mr. Beakley – 7,300, Mr. Brooks – 13,000, Mr. Davis – 20,000, Ms. Glover – 8,300, Mr. Hallgren – 3,000, Mr. McGee – 8,300, Ms. Roberts – 17,250 and Mr. Thomas – 18,500.
- (2) The Employee Stock Ownership Plan (ESOP) owns a total of 571,629 shares representing 9.57%. Mr. Beakley, Ms. Roberts and Mr. Thomas serve as Trustees of the ESOP with any one of the three holding voting rights for all the stock owned by the ESOP for purposes of this proxy statement.
- (3) Includes shares held by the ESOP allocated as follows: Mr. Brooks – 12,184.82, Mr. Davis – 5,838.96, Ms. Glover – 17,159.08, Mr. Lackey – 51,972.67, Mr. McGee – 15,841.68, and Mr. Richardson – 13,224.91.

- (4) Does not include 38,102 shares, or 0.64%, owned by Richard Ware 2009 GRAT, in which Richard Ware has an economic interest, which are deemed beneficially owned by another person
- (5) Does not include 15,243 shares, or 0.26%, owned by Richard Ware 2010 GRAT, in which Richard Ware has an economic interest which are deemed beneficially owned by William J. Ware, as trustee.
- (6) The total number of shares owned by the Ware family individually and in trusts and by other Ware Group members is 2,292,516 shares or 38.40% of total shares outstanding.
- (7) Includes 67,827 shares, or 1.14%, owned by Mary Savannah Singleton Non-Exempt LSSB Stock Trust which are deemed as beneficially owned by Mr. William T. Ware and Mrs. Mary Savannah Singleton. Also includes 67,826 shares, or 1.14%, owned by William T. Ware Non-Exempt LSSB Stock Trust which are deemed as beneficially owned by Mrs. Mary Savannah Singleton and Mr. William T. Ware
- (8) Includes 21,591 shares representing .36% owned by Richard Ware 1976 Trust shown as beneficially owned by Mr. Richard Ware.
- (9) Includes 382,446 shares representing 6.42% owned by three trusts shown as beneficially owned by Mr. Richard Ware, Trustee. The three trusts own 127,482 shares or 2.14% each. The 2019 Mary Adele Ware Trust, the 2019 Berklee O'Neill Ware Trust and the 2019 Richard Clayton Ware III Trust.
- (10) Includes 15,243 shares, or 0.26%, owned by Richard Ware 2010 GRAT, which are deemed beneficially owned by William J. Ware, as trustee.

Certain transactions

Certain of our officers, directors and principal shareholders, their immediate families and their affiliates have deposit accounts with our subsidiary, the Bank, and from time to time, the Company or the Bank may enter into other transactions in the ordinary course of business and otherwise with certain of our officers, directors or principal shareholders. In all cases, these transactions are and will be made on the same basis and terms as similar transactions made with persons or entities that are not officers, directors or principal shareholders of the Company and do not involve more than the normal risk of collectability or involve a delinquency as to payment of principal or interest or present other unfavorable features. All loans made to our officers, directors, principal shareholders, their immediate families and their affiliates are believed to be in compliance with the Financial Institutions Regulatory and Interest Rate Control Act of 1978. As of the date of this proxy statement, none of such loans was categorized as nonaccrual, past due, restructured or potential problem loans. We expect to continue to enter into transactions in the ordinary course of business on similar terms with our officers, directors and principal shareholders, their immediate families and their affiliates.

ADDITIONAL INFORMATION

We will bear all costs of the solicitation of proxies by our board. In addition to soliciting proxies through the mail, proxies may be solicited by our directors and officers in person or by telephone or other means of communication. Our directors and officers will not receive additional compensation for their efforts during this solicitation but may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation. After the original mailing of the proxies and other solicitation materials, we request that brokers, custodians, nominees and other record holders of common stock forward copies of the proxy statement, proxy and solicitation materials to beneficial owners for whom they hold shares.

BY ORDER OF THE BOARD OF DIRECTORS

April 22, 2021
Lubbock, Texas

Alan Lackey
Chairman & Chief Executive Officer

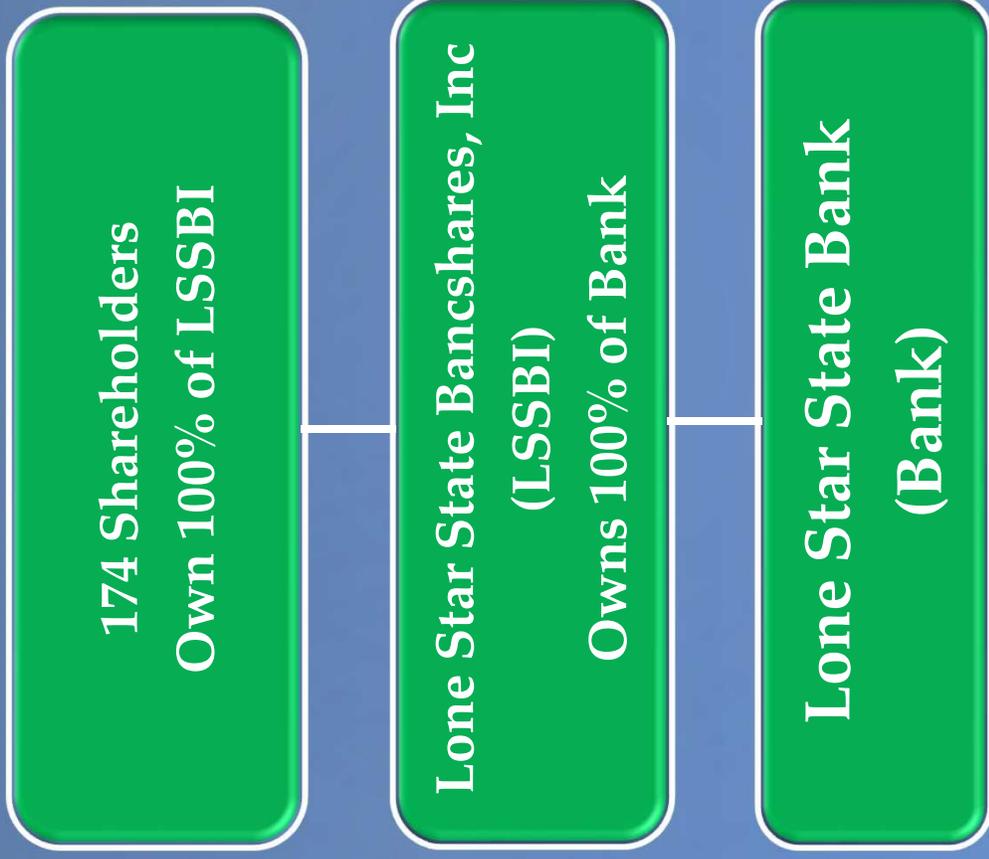
LONE STAR STATE BANCSHARES, INC

ELEVENTH ANNUAL STOCKHOLDERS'
MEETING

JUNE 3, 2021

2020 Financial Review

Organization Chart



Lone Star State Bancshares, Inc. Net Income

(in \$000's)



Lone Star State Bancshares, Inc.

Profitability Trend

(\$000's) - Unaudited



Lone Star State Bancshares, Inc.

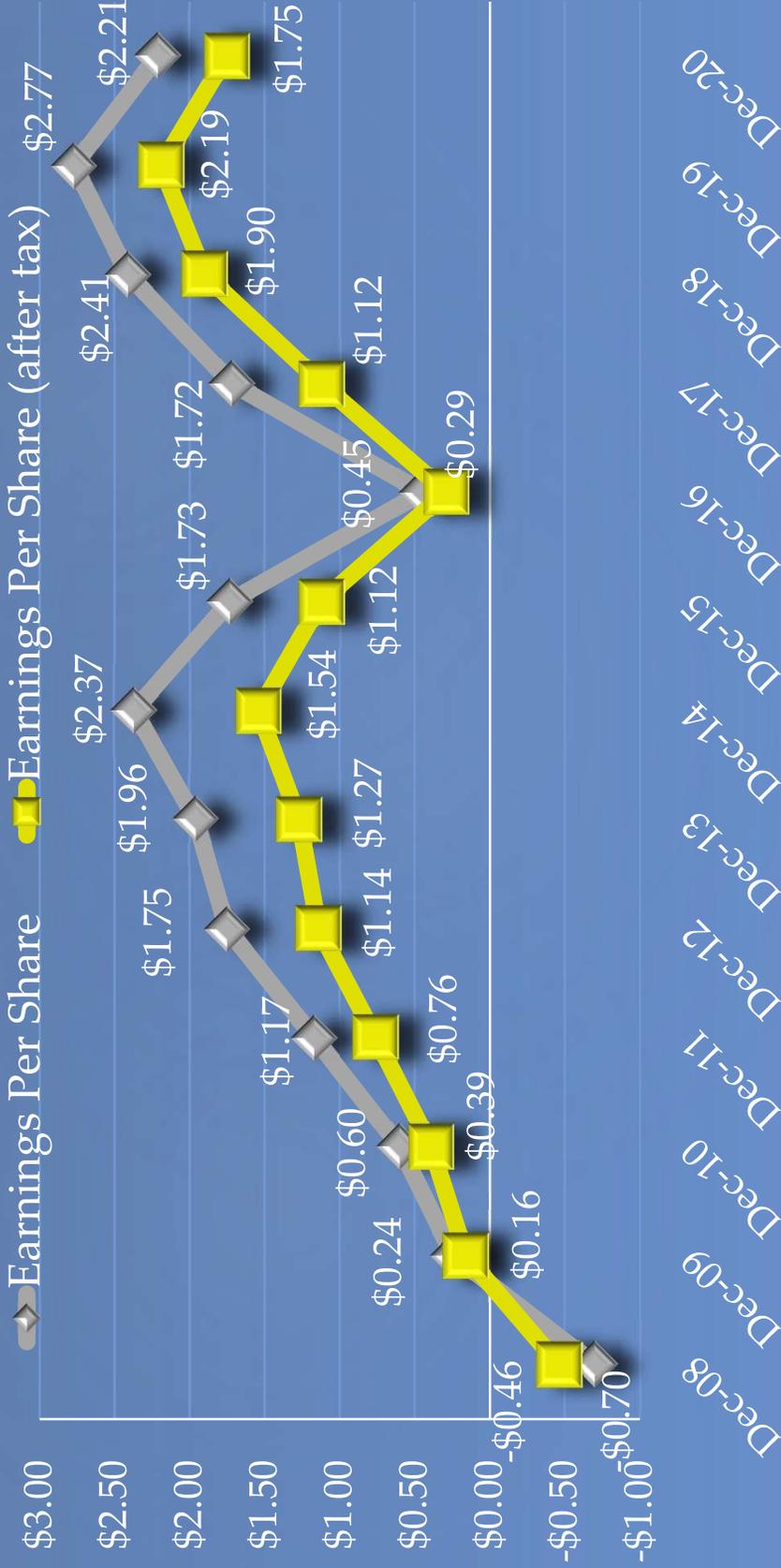
Book Value Per Share



* Consolidated total equity divided by number of shares outstanding at year end

** Consolidated total equity less intangible assets (i.e. Goodwill) divided by number of shares outstanding at year end

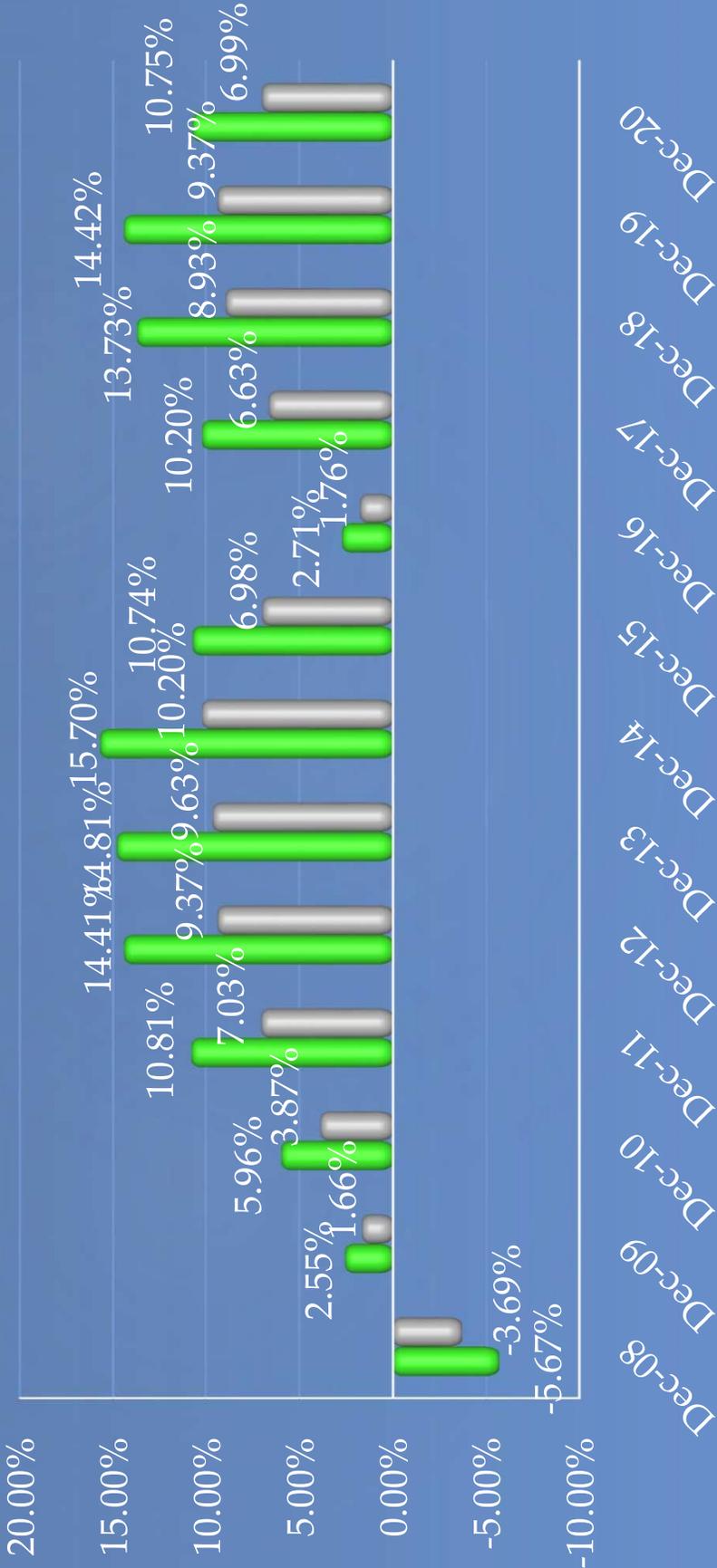
Lone Star State Bancshares, Inc. Earnings Per Share*



* Consolidated net income divided by weighted average shares outstanding for the year

Lone Star State Bancshares, Inc. Return on Average Equity*

■ Return on Avg Equity ■ Return on Avg Equity (After Tax)

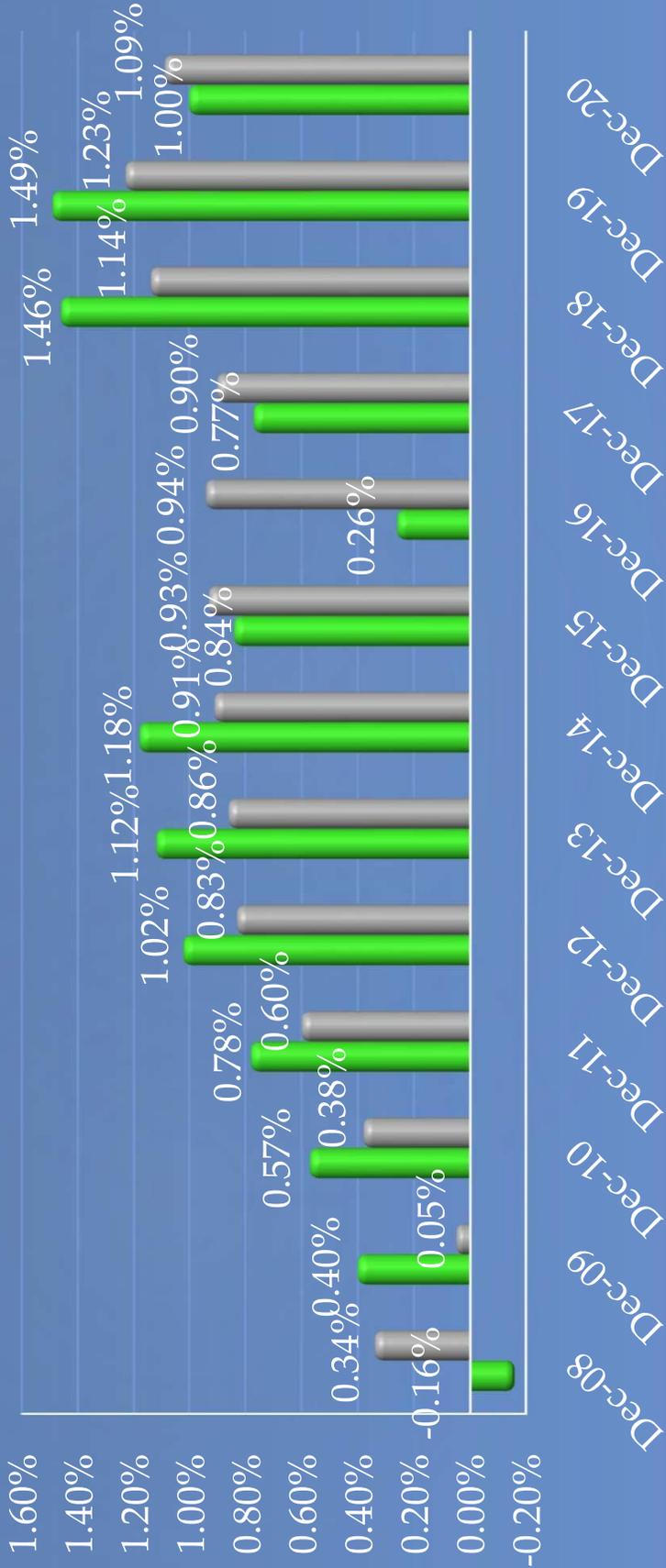


* Consolidated net income divided by average consolidated equity

Lone Star State Bank Return on Average Assets*

(after tax)

■ Lone Star ■ Peer Group



*Bank net income divided by average Bank assets

Lone Star State Bank

Provision Expense as a % of Avg Assets*



*Provision for loan and lease receivable losses divided by average assets

Lone Star State Bancshares, Inc.

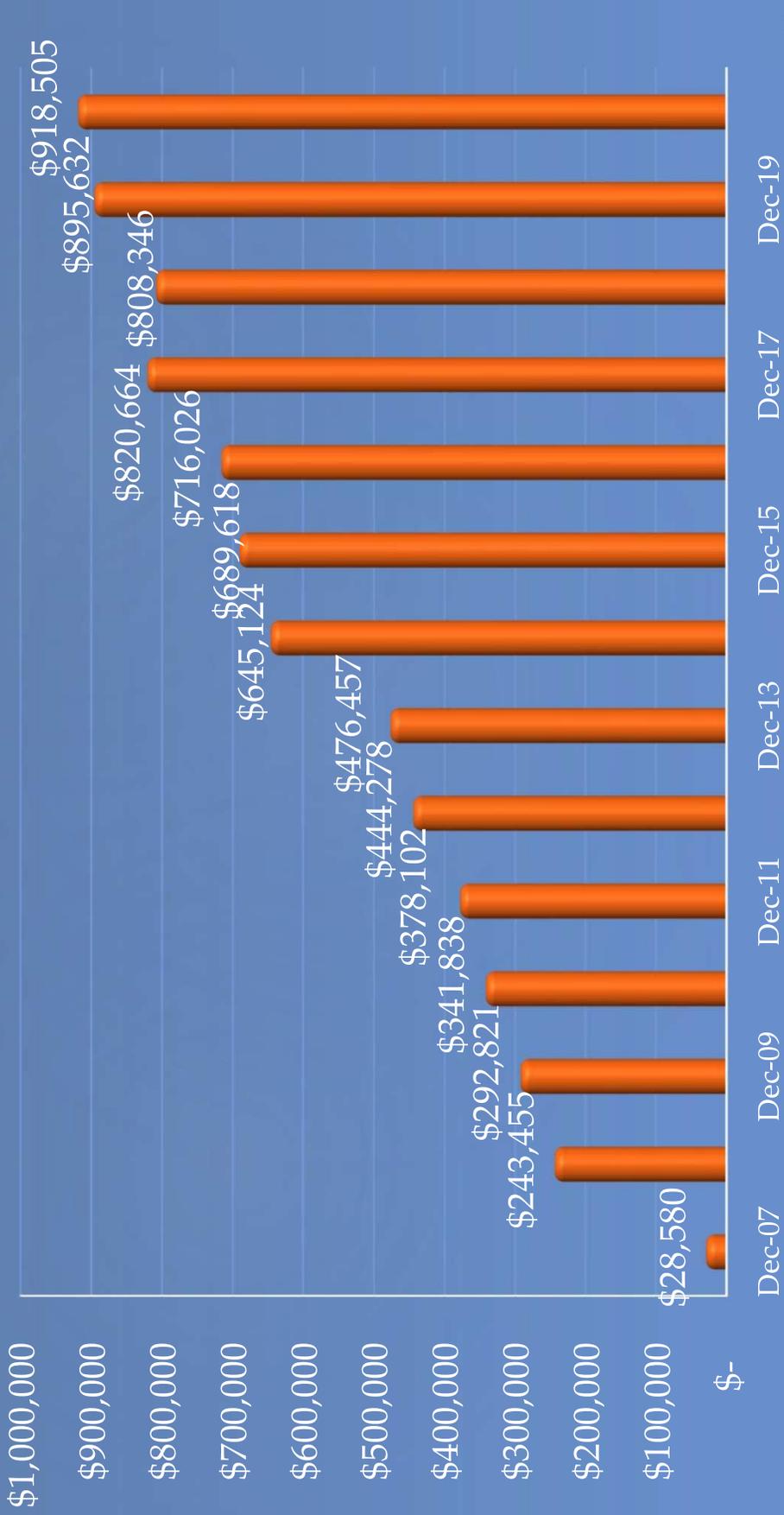
Total Assets

(in \$000's)



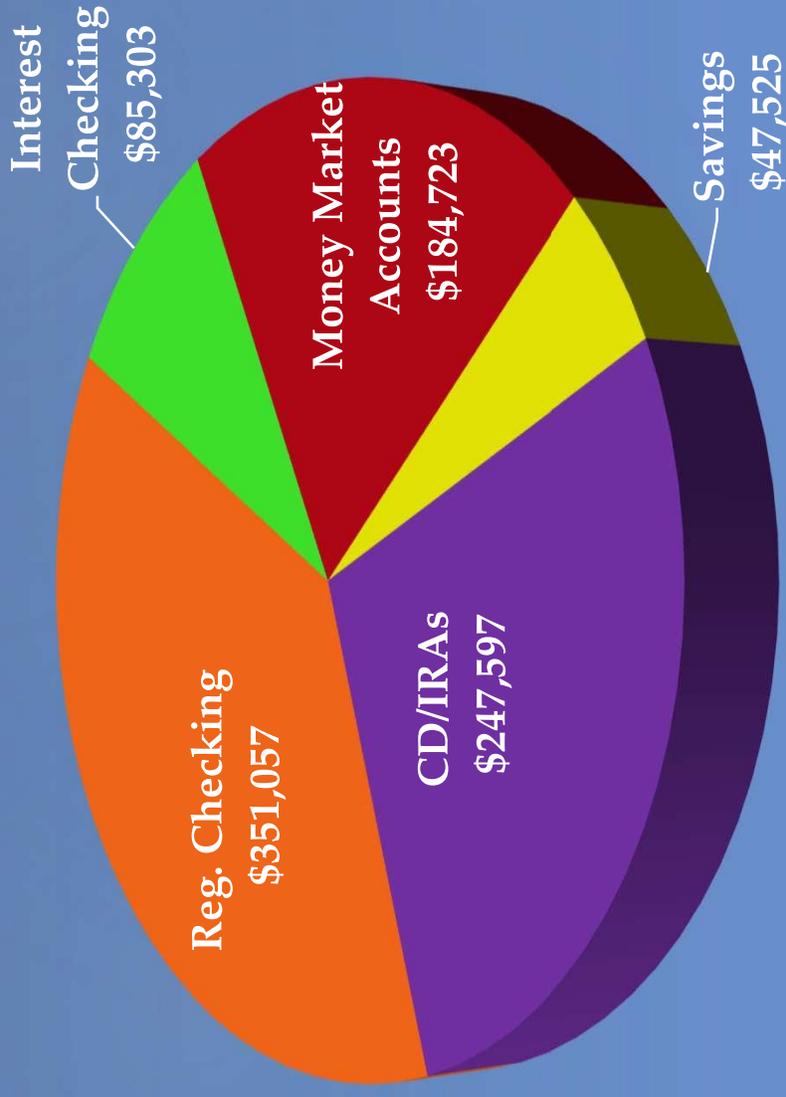
Lone Star State Bank Average Deposits

(in \$000s)



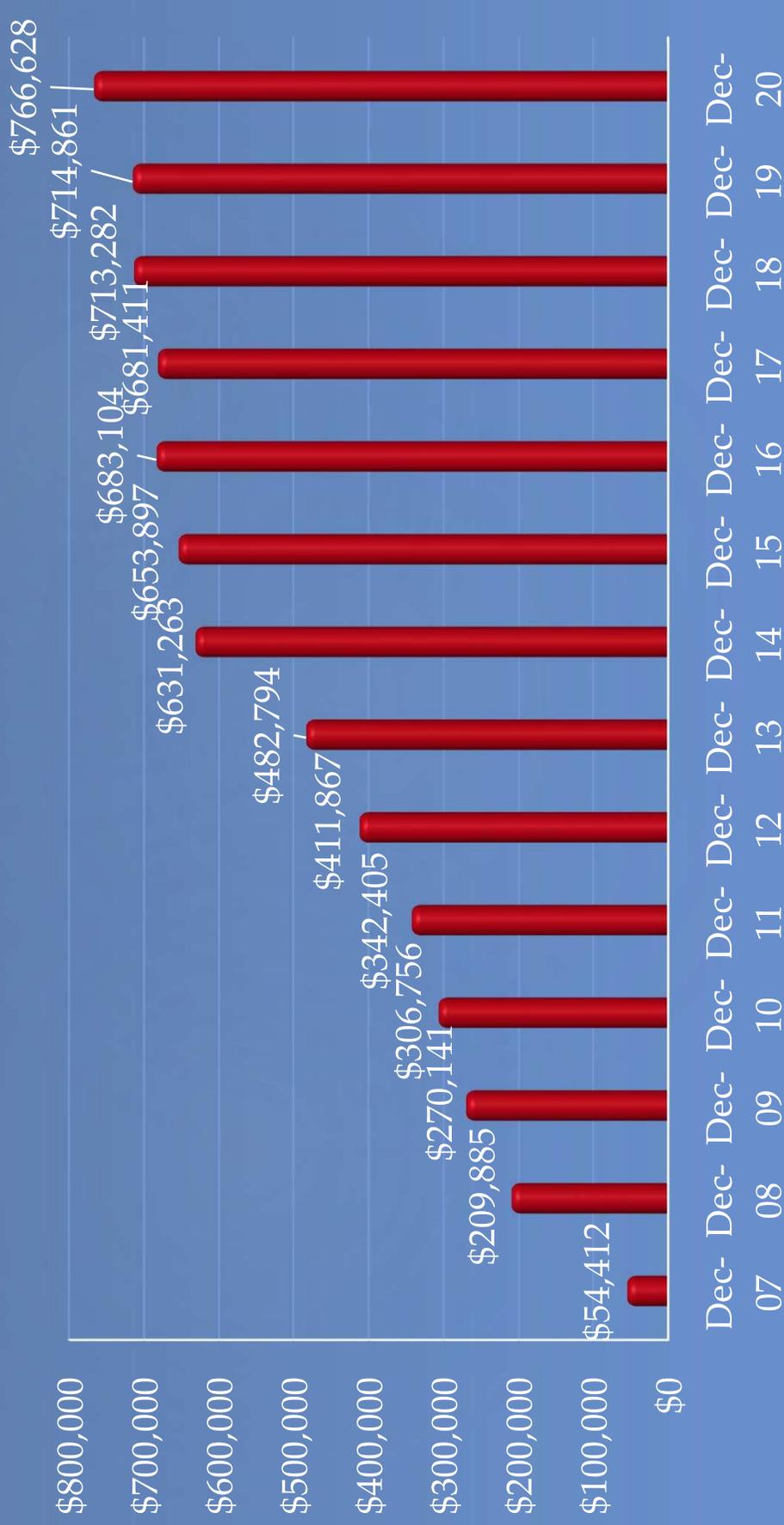
Lone Star State Bank Deposit Mix (in \$000's)

As of December 31, 2020: \$918 million outstanding



Lone Star State Bank Average Loans

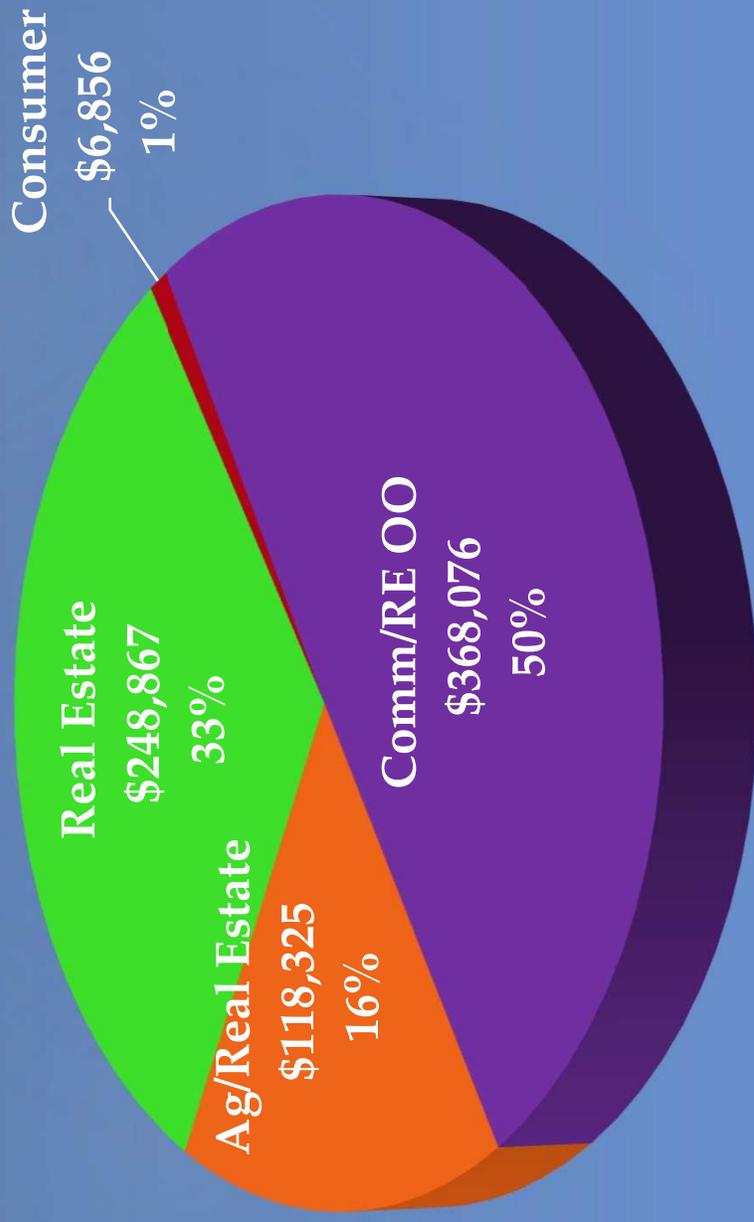
(in \$000's)



Lone Star State Bank Loan Portfolio Mix

(in \$000's)

As of December 31, 2020: \$742 million outstanding



Lone Star State Bank

Nonperforming Assets to Loans & Foreclosed Assets

Nonperforming Assets to Loans and Foreclosed Assets*

■ Lone Star ■ Peer Group



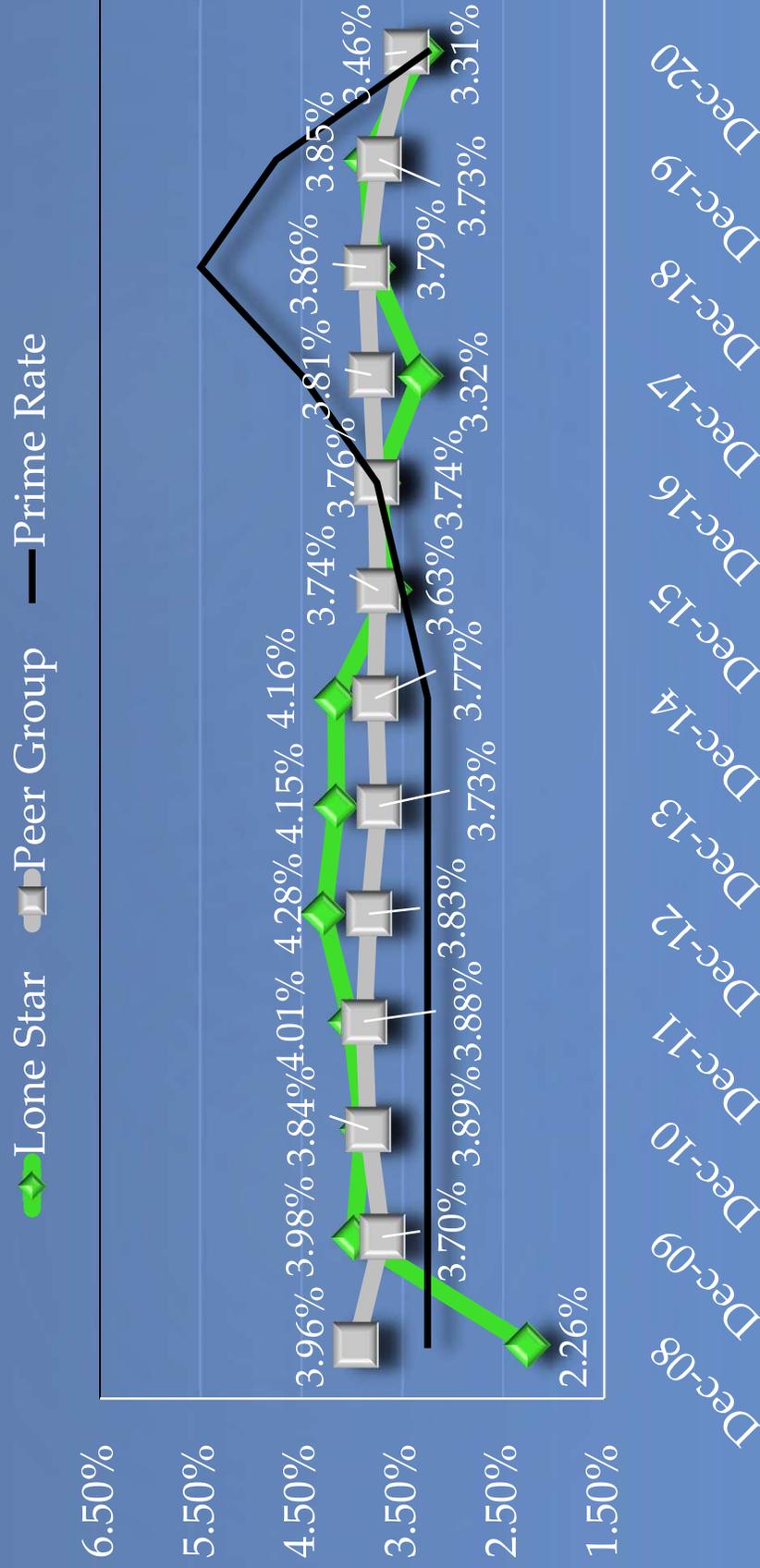
* Total non-performing assets (loans past due>90 days, non-accrual loans, restructured loans, and assets acquired due to foreclosures) divided by total loans plus assets acquired due to foreclosure

Lone Star State Bank Net Interest Margin*



*Interest Income on earning assets (i.e. loans and securities) less interest expense paid on deposits and borrowings divided by average earning assets

Lone Star State Bank Net Interest Margin* & Prime Rate



*Interest Income on earning assets (i.e. loans and securities) less interest expense paid on deposits and borrowings divided by average earning assets

Lone Star State Bank History of Efficiency Ratio*

■ Lone Star ■ Peer Group



*Noninterest expense (i.e. salaries, occupancy, operating expenses) divided by net interest income (i.e. income from loans and securities less interest paid on deposits and borrowings) plus noninterest income
(source: Uniform Bank Performance Report)

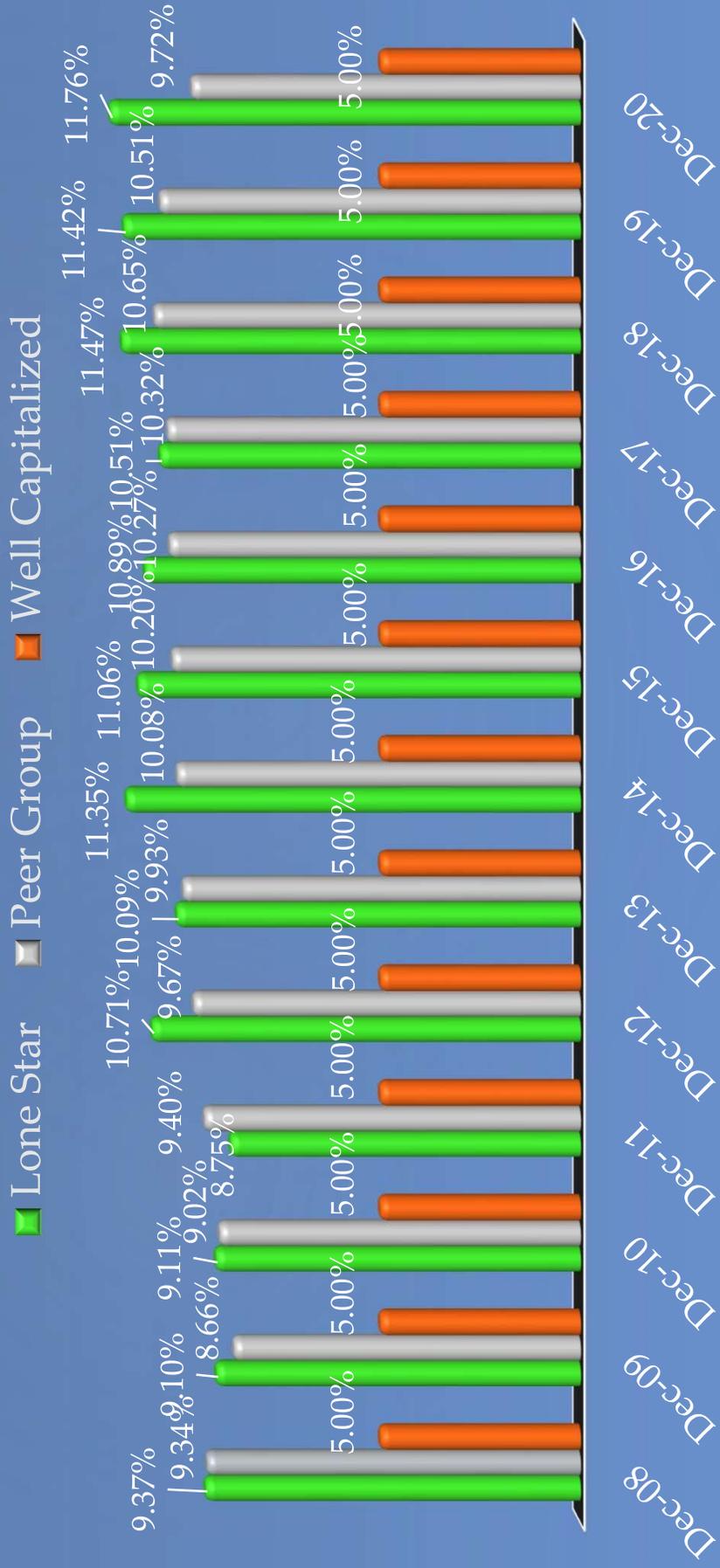
Lone Star State Bank Capital Ratios

As of December 31, 2020



Lone Star State Bank History of Leverage Capital Ratio

Tier 1 Leverage Capital



Lone Star State Bank Peer Comparison:

(% of Avg. Assets as of December 31, 2020)

	<u>Lone Star State</u>	<u>\$1 bil. - \$3 bil. Peer Group</u>
<u>Profitability:</u>		
Net Interest Income	3.21%	3.27%
Provision for Loan Loss Expense	0.25%	0.31%
Adjusted Sub S Net Income	1.00%	1.09%
Net Income	1.27%	1.13%
<u>Margin:</u>		
Net Interest Income to Avg Earning Assets	3.31%	3.46%
<u>Liquidity:</u>		
Net Non-Core Fund Dependence	-5.83%	0.10%
<u>Capitalization:</u>		
Tier One Leverage Capital	11.76%	9.72%
<u>Non-Interest Expense:</u>		
Personnel Expense	1.23%	1.48%
Occupancy Expense	0.13%	0.29%
Other Non-Interest Expense	0.47%	0.77%
Total Non-Interest Expense	1.82%	2.57%

Lone Star State Bank Loan Quality Peer Comparison:

(as of December 31, 2020)

	<u>Lone Star State</u>	\$1 bil. - \$3 bil. Peer Group
--	------------------------	--------------------------------

Past Dues and Non Accrual:

Past Due > 30 Days	0.19%	0.30%
Past Due > 90 Days	0.00%	0.02%
Non Accrual	0.76%	0.59%
Non Current Loans to Allowance for Loan Loss	43.31%	50.59%
Non Current Loans to Capital	4.46%	4.20%
Non Current Loans plus OREO to Total Loans plus OREO	0.76%	0.75%

Allowance and Net Loss Ratios:

Loan Loss Allowance to Total Loans	1.76%	1.31%
Net Loss to Average Total Loans	0.08%	0.09%
Loss Provision to Average Assets	0.25%	0.31%

Lone Star State Bancshares, Inc.

Net Income

(in \$000's)



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020Bdgt'21

Lone Star State Bancshares, Inc. Consolidated Balance Sheet

25

As of December 31 (unaudited, in \$000's)

	2015	2016	2017	2018	2019	2020
Cash & Due From Banks	\$ 88,902	\$ 79,089	\$ 143,687	\$ 96,471	\$ 182,360	\$ 206,992
Fed Funds Sold	-	-	-	-	-	-
Interest-Bearing Deposits in Banks	5,546	14,869	15,061	15,391	19,938	357
Accrued Interest Receivable	6,150	6,349	6,239	6,454	6,886	4,481
AFS Securities, at fair value	29,810	23,916	79,078	81,608	87,119	81,115
Loans, Net	630,603	659,427	660,362	687,603	699,867	735,518
Premises & Equipment, Net	9,517	8,939	8,428	8,093	7,549	7,108
Federal Reserve Bank & FHLB Stock, at cost	2,527	3,485	3,647	3,669	3,699	3,712
Intangibles, Net	8,738	8,350	7,962	7,832	7,832	7,832
Other Assets	942	699	687	1,773	3,358	732
Total Assets	\$ 782,735	\$ 805,123	\$ 925,149	\$ 908,894	\$ 1,018,608	\$ 1,047,847
Noninterest-Bearing Deposits	\$ 185,024	\$ 176,313	\$ 233,266	\$ 306,621	\$ 316,750	\$ 350,386
Interest Bearing Deposits	501,819	529,920	586,982	486,700	578,224	567,358
Total Deposits	686,843	706,233	820,248	793,321	894,974	917,744
Note Payable	2,885	6,500	5,525	4,225	-	-
Other Borrowings	-	-	-	-	-	-
Capital Lease and Other Liabilities	1,689	1,665	1,851	1,641	2,241	1,220
Total Liabilities	691,417	714,398	827,624	799,187	897,215	918,964
Common Stock	5,537	5,551	5,573	5,910	5,944	5,971
Additional Paid-In Capital	63,854	64,204	64,525	67,936	68,407	68,731
Accumulated Other Comprehensive Income	78	54	(968)	(885)	67	296
Retained Earnings (Deficit)	21,849	20,916	28,394	36,746	46,975	53,885
Total Stockholders' Equity	91,318	90,725	97,525	109,707	121,393	128,883
Total Liabilities & Stockholders' Equity	\$ 782,735	\$ 805,123	\$ 925,149	\$ 908,894	\$ 1,018,608	\$ 1,047,847

Lone Star State Bancshares, Inc. Consolidated Income Statement

	2015	2016	2017	2018	2019	2020
	(unaudited, in \$000's)					
Interest & Dividend Income	\$ 31,274	\$ 32,213	\$ 33,978	\$ 39,363	\$ 43,201	\$ 38,433
Interest Expense	4,110	4,379	6,265	6,172	8,378	5,692
Interest Margin	27,164	27,834	27,712	33,191	34,823	32,741
Provision for Loan & Lease Losses	3,500	10,816	3,300	1,250	528	2,500
Interest Margin after Provision for Loan Losses	23,664	17,018	24,413	31,941	34,295	30,241
Noninterest Income	1,112	1,092	1,187	1,246	1,403	1,261
Salaries & Employee Benefits	10,040	10,215	10,186	12,881	13,514	12,161
Occupancy & Equipment	1,367	1,362	1,291	1,262	1,294	1,294
Overhead Expenses	3,772	4,000	4,513	4,990	4,460	4,846
Total Noninterest Expenses	15,179	15,577	15,990	19,133	19,268	18,301
Income Tax Expense	43	25	50	50	20	50
Net Income (Loss)	\$ 9,554	\$ 2,508	\$ 9,560	\$ 14,004	\$ 16,410	\$ 13,151

LONE STAR STATE BANCSHARES, INC

ELEVENTH ANNUAL STOCKHOLDERS'
MEETING

JUNE 3, 2021

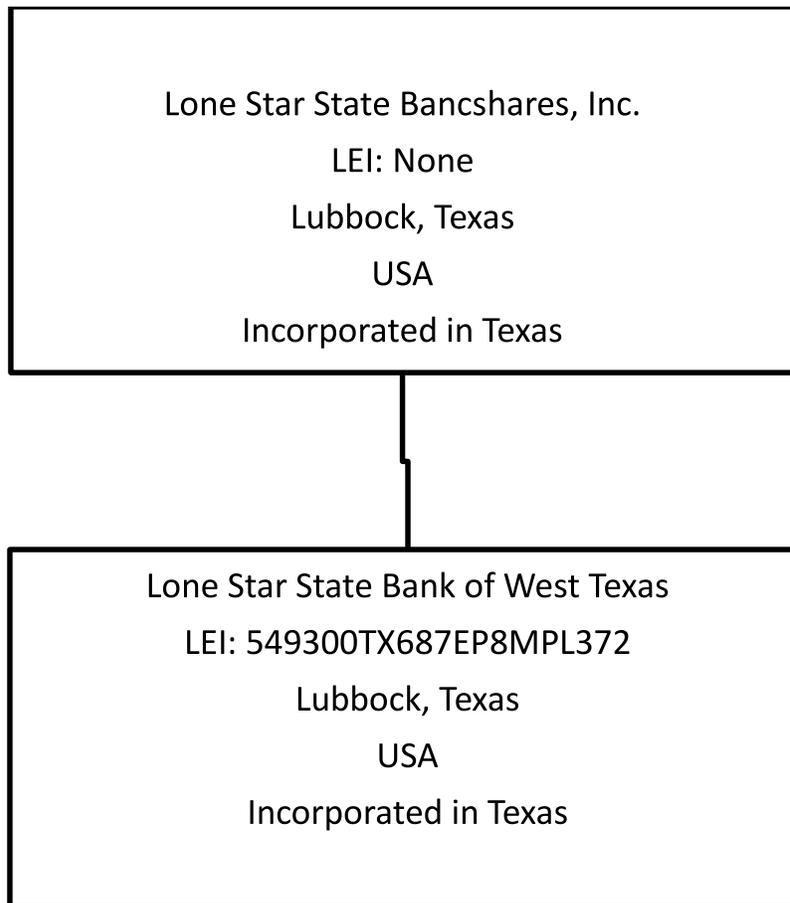
Annual Report of Bank Holding Companies - Form FR Y-6

Lone Star State Bancshares, Inc.
Lubbock, Texas
Fiscal Year Ending December 31, 2020

Report Item

2a. Organization Chart

Lone Star State Bancshares, Inc. owns 100% of Lone Star State Bank of West Texas



Results: A list of branches for your depository institution: **LONE STAR STATE BANK OF WEST TEXAS (ID: RSSD: 3607062)**. This depository institution is held by **LONE STAR STATE BANKSHARES, INC. (3641767)** of **LUBBOCK, 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, reselect the radio, 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)	3607062		LONE STAR STATE BANK OF WEST TEXAS	6220 MILWAUKEE AVENUE	LUBBOCK	TX	79424-0604	LUBBOCK	UNITED STATES	Not Required	Not Required	LONE STAR STATE BANK OF WEST TEXAS		3607062	
OK		Full Service	3736300		BIG SPRING BRANCH	600 EAST FM 700 (MARCY DRIVE)	BIG SPRING	TX	79720	HOWARD	UNITED STATES	Not Required	Not Required	LONE STAR STATE BANK OF WEST TEXAS		3607062	
OK		Full Service	107150		BROWNFIELD BRANCH	301 WEST MAIN STREET	BROWNFIELD	TX	79316-4323	TERRY	UNITED STATES	Not Required	Not Required	LONE STAR STATE BANK OF WEST TEXAS		3607062	
OK		Full Service	4803003		MIDLAND BRANCH	1004 NORTH BIG SPRING STREET, SUITE 100	MIDLAND	TX	79701	MIDLAND	UNITED STATES	Not Required	Not Required	LONE STAR STATE BANK OF WEST TEXAS		3607062	
OK		Full Service	3667682		ODESSA BRANCH	2975 DAH BEN SHEPARD PARKWAY	ODESSA	TX	79762	ECTOR	UNITED STATES	Not Required	Not Required	LONE STAR STATE BANK OF WEST TEXAS		3607062	

Form FR Y-6

Lone Star State Bancshares, Inc.
Lubbock, Texas
Fiscal Year Ending 12/31/2020

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 (but not at fiscal year-end)	
(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)
Total Ware Family	USA	2,016,285 - 33.77% common stock	(2)(b) USA
Anne Clayton Ware Vroom Dallas, TX USA	USA	148,240 - 2.48% common stock	(2)(c) 382,446 - 6.40% common stock
Benjamin T. Ware, III Amarillo, TX USA	USA	230,243 - 3.86% common stock	
Mary Savannah Ware Singleton Amarillo, TX USA	USA	205,781 - 3.45% common stock	
Mary Savannah Singleton Non-Exempt LSSB Stock Trust Amarillo, TX USA	USA	67,827 - 1.14% common stock	
2019 Mary Adele Ware Trust Amarillo, TX USA	USA	127,482 - 2.13% common stock	
2019 Berklee O'Neill Ware Trust Amarillo, TX USA	USA	127,482 - 2.13% common stock	
2019 Richard Clayton Ware III Trust Amarillo, TX USA	USA	127,482 - 2.13% common stock	
Richard Ware II Amarillo, TX USA	USA	200,894 - 3.36% common stock	

Richard Ware II 1976 Trust Amarillo, TX USA	USA	21,591 - .36% common stock
Richard Ware 2009 GRAT Amarillo, TX USA	USA	38,102 - .64% common stock
Richard Ware 2010 GRAT Amarillo, TX USA	USA	15,243 - .26% common stock
William James Ware Amarillo, TX USA	USA	394,417 - 6.61% common stock
William Tol Ware Amarillo, TX USA	USA	243,675 - 4.08% common stock
William Tol Ware Non-Exempt LSSB Stock Trust Amarillo, TX USA	USA	67,826 - 1.14% common stock
Lone Star State Bancshares, Inc. and Subsidiaries Employee Stock Ownership Plan Kirk Thomas, Melisa Roberts & Brent Beakley Trustees Lubbock, TX USA	USA	571,629 - 9.57% common stock
Kirk Thomas Lubbock, TX USA	USA	25,500 - .43% common stock 571,529 - 9.57% Trustee 18,500 - vested options on common stock 89,698.55 - 1.50% - ESOP Shares
Melisa Roberts Lubbock, TX USA	USA	28,750 - .48% common stock 571,529 - 9.57% trustee 17,250 - .287% vested options on common stock 6,431 - .11% family 45,125.82 - .76% ESOP stock

34,814 - .58% common
stock
571,529 - 9.57% trustee
7,300 - .12% vested
options on common
stock
96,205 - 1.611 family
73,294.20 - 1.23%
ESOP stock

Brent Beakley
Odessa, TX USA

USA

Form FR Y-6

Lone Star State Bancshares, Inc.
Lubbock, Texas
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Name & Address (City, State, Country)	Principal Occupation, if other than with holding company	Title/Position with holding company	Title/Position with Subsidiaries (including subsidiary name)	Title/Position with Other Businesses (including business name)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (including subsidiary name)	Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Alan Lackey Lubbock, TX USA	N/A	CEO, Chairman, Director	CEO, Chairman, Director Lone Star State Bank of West Texas		2.34% common stock .11% family .87% ESOP stock	None	SEE CONFIDENTIAL PORTION
Melisa Roberts Lubbock, TX USA	N/A	Chief Lending Officer	CLO, EVP, Director Lone Star State Bank of West Texas		.48% common stock 9.57% trustee .11% family .28% vested options on common stock .76% ESOP stock	None	SEE CONFIDENTIAL PORTION
Edmund McGee Lubbock, TX USA	N/A	Chief Financial Officer	CFO, EVP, Director Lone Star State Bank of West Texas		.29% common stock .14% vested options on common stock .27% ESOP stock	None	SEE CONFIDENTIAL PORTION
Lestie Glover Lubbock, TX USA	N/A	Chief Operating Officer	COO, EVP, Director Lone Star State Bank of West Texas		.23% common stock .002% family .14% vested options on common stock .29% ESOP stock	None	SEE CONFIDENTIAL PORTION
Kirk Thomas TX USA	Lubbock, Banking	Principal Securities Holder	President - Lubbock Lone Star State Bank of West Texas		.43% common stock 9.57% trustee .30% vested options on common stock 1.50% ESOP stock	None	SEE CONFIDENTIAL PORTION

Brent Beakley
 TX USA
 Odessa, Banking
 Principal Securities Holder
 President - Odessa
 Lone Star State Bank of West Texas
 .58% common stock
 9.57% trustee
 1.61% family
 .12% vested options on
 common stock
 1.23% ESOP stock
 None

Frosty Gilliam, Jr.
 Odessa, TX USA
 Independent oil and gas producer
 Director
 Lone Star State Bank of West Texas
 4.18% common stock
 None

Mark Hallgren
 Lubbock, TX USA
 Life safety and security
 Director
 Lone Star State Bank of West Texas
 2.11% common stock
 .05% vested options on
 common stock
 None

Charles E. Needham
 Lubbock, TX USA
 Real Estate and Orthopedic sales
 Director
 Lone Star State Bank of West Texas
 .76% common stock
 .32% family
 None

William Wade Porter Amarillo, TX, USA	Banking	Director	Director Lone Star State Bank of West Texas	2.54% common stock	None
Cliff Bickerstaff Amarillo, TX, USA	Banking	Director	Director Lone Star State Bank of West Texas	.97% common stock	None
Brent Wade Amarillo, TX, USA	Retired - Banking	Director	Director Lone Star State Bank of West Texas	.36% common stock	None
Anne Clayton Ware Vroom Dallas, TX, USA	Homemaker	Principal Securities Holder	N/A	2.43% common stock 15.08% family	None
Benjamin T. Ware, III Amarillo, TX, USA	Banking	Principal Securities Holder	N/A	3.86% common stock 13.71% family	None
Mary Savannah Ware Singleton Amarillo, TX, USA	Banking	Principal Securities Holder	N/A	3.45% common stock 2.27% trustee 5.22% family	None
Richard Ware II Amarillo, TX, USA	Banking	Principal Securities Holder	N/A	3.37% common stock 6.77% trustee 12.95% family	None
William J Ware Amarillo, TX, USA	Banking	Principal Securities Holder	N/A	6.61% common stock .26% trustee 10.96% family	None
William Tol Ware Amarillo, TX, USA	Banking	Principal Securities Holder	N/A	4.08% common stock 1.27% trustee 4.58% family	None
Patrick O'Neill Ware Amarillo, TX, USA	Banking	Principal Securities Holder	N/A	.64% trustee 17.57% family	None
Miles B. Childers Amarillo, TX, USA	Ranching	Principal Securities Holder	N/A	.36% trustee	None

George Raifkind Amarillo, TX, USA	Retired - Retail	Principal Securities Holder	N/A	2.27% trustee	None
--------------------------------------	------------------	-----------------------------	-----	---------------	------

*ESOP stock represents shares owned at 12/31/2019. The allocation of shares by the Third Party Administrator will not be available until after this report is filed.