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, David L Baty
Name of the Holding Company Director and Official

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.

Signature of Holding Company Director and Official

08/24/2021
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

none
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

TXRB Holdings, Inc.
Legal Title of Holding Company

2595 Preston Rd, Suite 100
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Frisco	TX	75034

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Tom Golas	CFO

972 334-0700
Area Code / Phone Number / Extension

972 334-0114
Area Code / FAX Number

tom.golas@texasrepublicbank.com
E-mail Address

none
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.

N/A
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)

N/A
Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

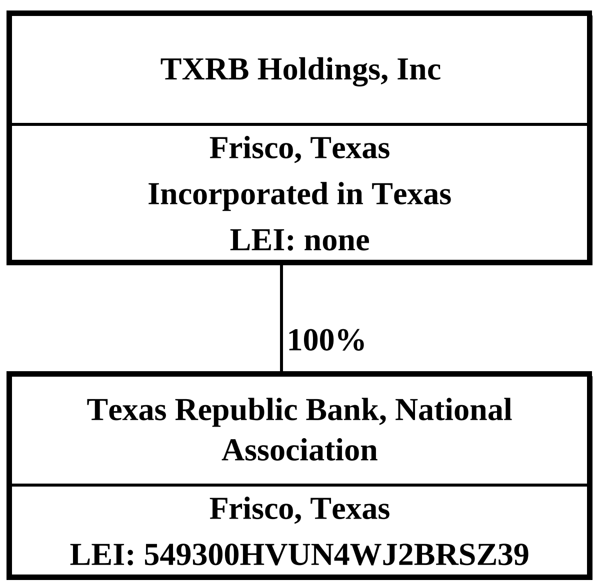
Physical Location (if different from mailing address)

Form FR Y-6

TXRB Holdings, Inc
Frisco, Texas
Fiscal Year Ending December 31, 2020

Report Item

1 The bank holding company prepares an annual report for its securities holders.
2 Organizational Chart



Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
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)**	**(2)(b)** **Country of Citizenship or Incorporation**	**(2)(c)** **Number and Percentage of Each Class of Voting Securities**
Steve Pirkey Wylie, TX, USA	USA	92,354 - 5.59% Common Stock 13,000 - 0.79% Warrants on Common Stock	N/A		
Timothy Cantrell Dallas, TX, USA	USA	79,854 - 4.81% Common Stock 22,785 - 1.37% Warrants on Common Stock			
David Baty Richardson, TX, USA	USA	30,754 - 1.80% Common Stock 50,000 - 2.93% Options on Common Stock 19,346 - 1.13% Warrants on Common Stock			
Keith Courts Midland, TX, USA	USA	100,000 - 6.10% Common Stock 5,000 - 0.30% Warrants on Common Stock			

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders

(1) Name & 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 (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
David L. Baty Richardson, TX USA	Banker	Director & President	Director & President (Texas Republic Bank)	None	1.80% Common Stock 2.93% Options on Common Stock 1.13% Warrants on Common Stock	None	N/A
Charles Rolfe McKinney, TX USA	Retired Banker	Director	Director (Texas Republic Bank)	None	0.05% Common Stock	None	N/A
Steve Pirkey, DVM Wylie, TX USA	Veterinarian	Director	Director (Texas Republic Bank)	President Veterinary Services P.C. President Pirkey Management LLC	5.59% Common Stock 0.79% Warrants on Common Stock	None	Veterinary Services P.C. 100% Pirkey Management LLC 49%
Scott Anderson Richardson, TX USA	Attorney	Director	Director (Texas Republic Bank)	Managing Member Anderson Grossman, PLLC Director Firstand Corp	0.98% Common Stock 0.06% Warrants on Common Stock	None	Anderson Grossman, PLLC 50% Firstand Corp 33%
Barry Pryor Dallas, TX USA	Retired Car Dealer	Director	Director (Texas Republic Bank)	Member 2595 Preston, LLC	2.87% Common Stock 1.21% Warrants on Common Stock	None	2595 Preston, LLC 26%

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders

(1) Name & 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 (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Timothy Cantrell Dallas, TX USA	Real Estate Investor	Director & Chairman	Director & Chairman (Texas Republic Bank)	Member 1301 Sycamore	4.81% Common Stock	None	1301 Sycamore 50%
				Member 133 South 4th Street Princeton LLC	1.37% Warrants on Common Stock		133 South 4th Street Princeton LLC 99%
				Member 1620 South Pecan, LLC			1620 South Pecan, LLC 100%
				Member 1809 Baker, LLC			1809 Baker, LLC 100%
				Member 2595 Preston, LLC			2595 Preston, LLC 33%
				Member 2700 S Travis, LLC			2700 S Travis, LLC 99%
				Member 303 S FM 1417, LLC			303 S FM 1417, LLC 99%
				Member 701 Arkansas, LLC			701 Arkansas, LLC 100%
				Member 701 SGSW, LLC			701 SGSW, LLC 100%
				Member Anchor Laundry			Anchor Laundry 100%
				Partner Annunity Transfers, Ltd.			Annunity Transfers, Ltd. 49%
				Member Bayswater			Bayswater 50%
				Partner Apartment Inspection Services			Apartment Inspection Services 100%
				Partner Buffalo Run, Ltd.			Buffalo Run, Ltd. 99%

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders

(1) Name & 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 (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Timothy Cantrell Dallas, TX USA	(Continued)			President Cantrell Investment Corp			Cantrell Investment Corp 100%
				Treasurer Cantrell McCulloch			Cantrell McCulloch 33%
				Member CP Arlington, LLC			CP Arlington, LLC 100%
				Member CDGHL, LLC			CDGHL, LLC 30%
				President CPR, Inc			CPR, Inc 100%
				Partner Dove Hollow Allen, Ltd.			Dove Hollow Allen, Ltd. 80%
				Partner Eastfield Dallas, Ltd.			Eastfield Dallas, Ltd. 49%
				Member Fidelity Bldg & Const, LLC			Fidelity Bldg & Const, LLC 99%
				President Fidelity Realty Advisors, Inc			Fidelity Realty Advisors, Inc 100%
				Partner Franciscan Garland, Ltd.			Franciscan Garland, Ltd. 99%
				President RBT, Inc			RBT, Inc 50%
				Member Independent Oaks Capital Funding			Independent Oaks Capital Funding 100%
				President Lakeview on Shady Oaks GP			Lakeview on Shady Oaks GP 100%
				Member Live Oak Locwood			Live Oak Locwood 50%
				Partner McKinney Stonegate			McKinney Stonegate 99%

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders

(1) Name & 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 (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Timothy Cantrell Dallas, TX USA	(Continued)			Partner Mesquite-CV Apts.			Mesquite-CV Apts. 99%
				President Monticello Asset Mgt, Inc			Monticello Asset Mgt, Inc 100%
				President P.R. General Partners Inc			P.R. General Partners Inc 33%
				Member Rivercrest Waco			Rivercrest Waco 25%
				Member Six T Dallas Assoc. LLC			Six T Dallas Assoc. LLC 99%
				President T C Apartments, Inc.			T C Apartments, Inc. 100%
				Vice President The Cantrell Company, Inc			The Cantrell Company, Inc 51%
				Member Vernon Oaks Capital Funding			Vernon Oaks Capital Funding 100%
				Member Willoughby - Wheatland, LLC			Willoughby - Wheatland, LLC 100%
				Member Four T Rentals			Four T Rentals 99%
				Member Six T Malakoff Ranch			Six T Malakoff Ranch 99%
				Member Merit Drive Capital Funding			Merit Drive Capital Funding 100%
				Investor BMT Life, J.V.			BMT Life, J.V. 33%
				Member MWD MT Advisors LLC			MWD MT Advisors LLC 33%
				Member Pioneer Oaks Capital Funding			Pioneer Oaks Capital Funding 100%

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders

(1) Name & 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 (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Timothy Cantrell Dallas, TX USA	(Continued)			Member CCM BT Advisors LLC Member MTA LLC Member 4029 Marquette Member Lakehouse 13310 LLC			CCM BT Advisors LLC 33% MTA LLC 33% 4029 Marquette 99% Lakehouse 13310 LLC 99%

Results: A list of branches for your depository institution: TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION (ID_RSSD: 735067).
This depository institution is held by TXRB HOLDINGS, INC. (4215745) of FRISCO, 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)	735067	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	2595 PRESTON ROAD, BUILDING 100	FRISCO	TX	75034	COLLIN	UNITED STATES	Not Required	Not Required	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	
OK		Full Service	3730988	QUANAH BRANCH	211 SOUTH MAIN STREET	QUANAH	TX	79252	HARDEMAN	UNITED STATES	Not Required	Not Required	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	
OK		Full Service	4844293	RICHARDSON BRANCH	690 WEST CAMPBELL ROAD, SUITE 100	RICHARDSON	TX	75080	DALLAS	UNITED STATES	Not Required	Not Required	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	

2020 ANNUAL REPORT

TXRB HOLDINGS, INC.

The Holding Company for

TEXAS REPUBLIC BANK Est. 1891

Banking like it oughta be!

TXRB HOLDINGS, INC.

Banking like it oughta be!

July 20, 2021

Dear Fellow Shareholders:

Before you read this cover letter, take a look at our graphs on the pages immediately following this letter. A reader glancing at our graphs on the following pages might conclude that 2020 was just another, quite normal, year for the bank and the economy in general. However, as we all know from our own experience, **2020** -- *the subject of this report* -- was a most *unusual* year. Many of us would say that we've never experienced anything like it in terms of the stress, challenges, frustrations, and unknown. And, certainly, for some, there were real developments from the pandemic that were dire and grievous. Fortunately, 2020 is now in the rear-view mirror, and we are pleased to report that your company, and the bank we own, fared very well through that tumultuous year, and we are grateful for this result.

March and April of 2020 found us adjusting to the sudden impact of the pandemic on social life, the economy, and our way of delivering services to our customers (closed lobbies, staff working remotely, etc), and your bank also responded very quickly by participating in the PPP SBA loan program with great dedication and teamwork being demonstrated on all fronts. The following few months involved us working with some loan customers on loan deferrals and accommodations necessitated by the pandemic's repercussions. As we moved into the latter third of the year, our goal was to finish up the year with a relatively clean slate and no legacy issues carrying over in to 2021. Reflected in the details enumerated below and in the following pages, this goal was accomplished thanks to the strong work ethic of our professional staff and the astute, dedicated oversight of our board of directors.

As reflected in this report, the bank continued to experience good asset and capital growth, and earnings were once again at record levels. Some of the more notable achievements and recognitions during 2020 were:

- 2020 was the ***second*** consecutive year in which the bank earned net income after tax of ***$1,000,000+*** in every quarter of the year
- continued ***A+*** rating as one of "Healthiest Banks in the U.S." by *DepositAccounts.com*
- booked $32,000,000 (roughly 200 loans) in PPP SBA loans to aid local customers during the pandemic
- attained a *pre-tax return* on total shareholder investment of **39%** and an *after-tax return* of **31%**
- Texas Republic Mortgage, our division that originates and sells permanent mortgages to the secondary market, continued its steady growth in volume and contribution of net income for the bank

2595 Preston Road, Suite 100 ★ Frisco, Texas 75034 ★ 972.334.0700 ★ 972.334.0014 Fax

www.texasrepublicbank.com

Included with this letter is some graphical information together with the annual report by our outside auditors, Payne & Smith. The graphs highlight several facts on the bank covered in more detail in the auditor's report. Some of those we consider most noteworthy are:

- Total Assets: $365 million at year end, for an annual increase of **20%**
- Total Loans: $282 million at year end, for an annual increase of **7%**
- Total Deposits: $288 million at year end, for an annual increase of **20%**
- Net Income: continued record profits, with net after tax profit of $5.2 million, or **9%** increase over 2019
- Net Interest Margin: although experiencing compression, was **90 basis points** greater than the average of banks in our peer group
- Credit Quality: continued strong underwriting standards and diligence in managing the loan portfolio. Significantly, the bank ended 2020 with no loans past due over 30 days, no foreclosed/repossessed assets, and only one loan on non-accrual (that loan balance was $410,000 and has now been paid in full). Our reserve for loan loss continues to grow, and sits at a healthy $3.4 million, or 1.21% of loans.

In summary, 2020 was a year of great challenge and tumult, but our team of bankers met that challenge with dedicated zeal, dogged determination, and "can do" spirit which produced very solid results for our shareholders. Such times of testing are revealing, and we are pleased that the test results confirmed that we have built, and are continuing to build, a very sturdy company.

One final fun note to pass along to you: this current year, 2021, is the ***10 year anniversary*** of our ownership of Texas Republic Bank, and it is the bank's ***130th year in business***! So, we look forward to seeing all of you at the annual shareholders' meeting on September 16, 2021 and celebrating these two significant milestones together at that time.

Sincerely,

David Baty
President/CEO

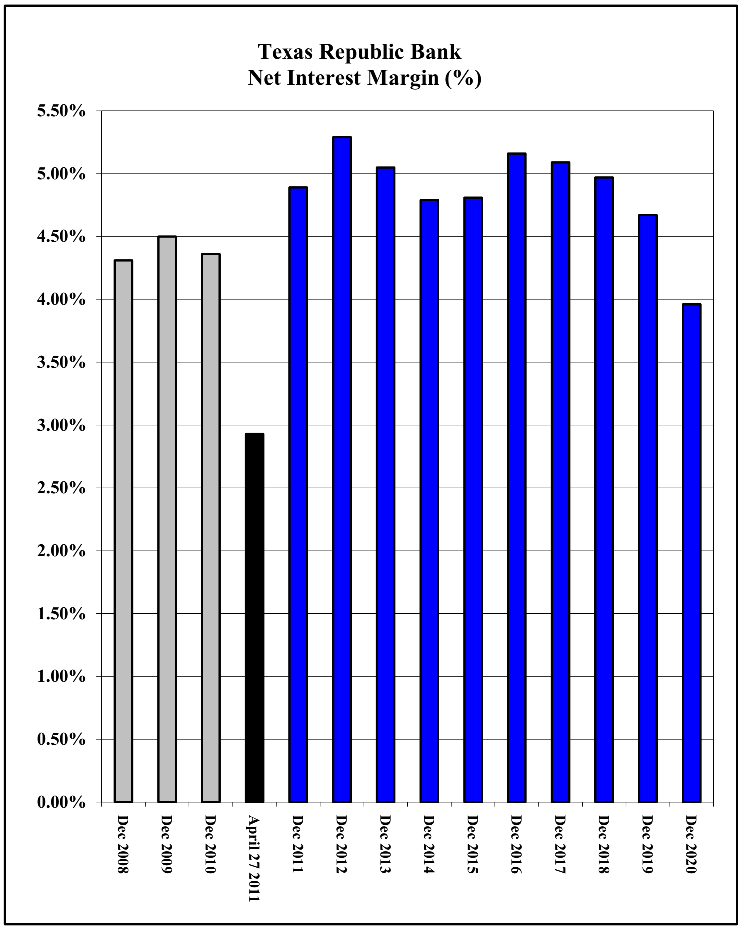
Tim Cantrell
Chairman of the Board

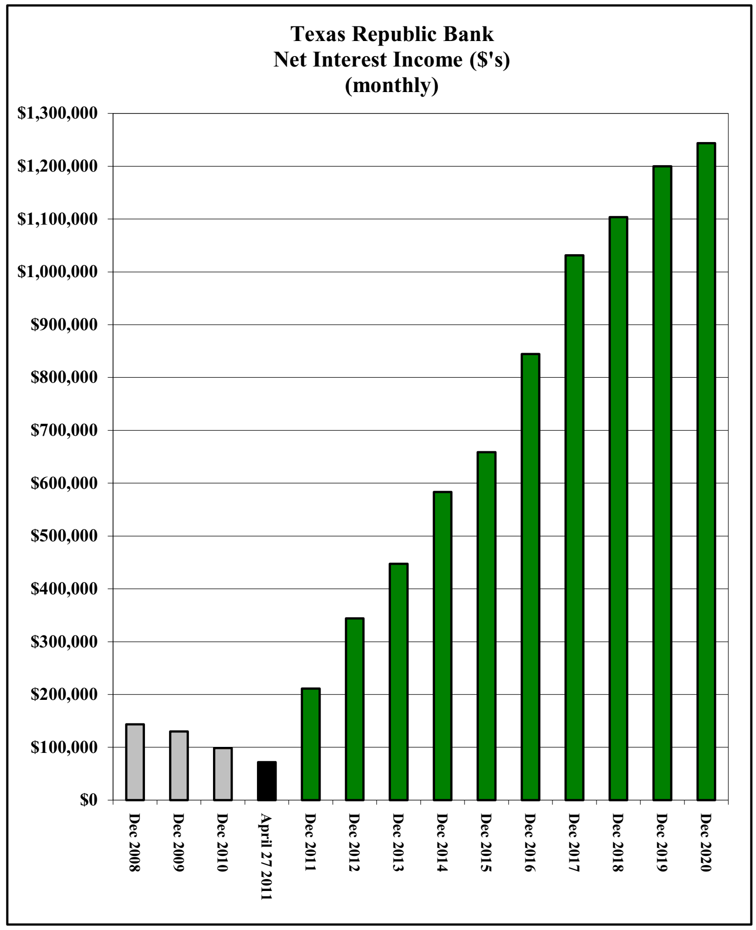
TXRB Holdings, Inc.

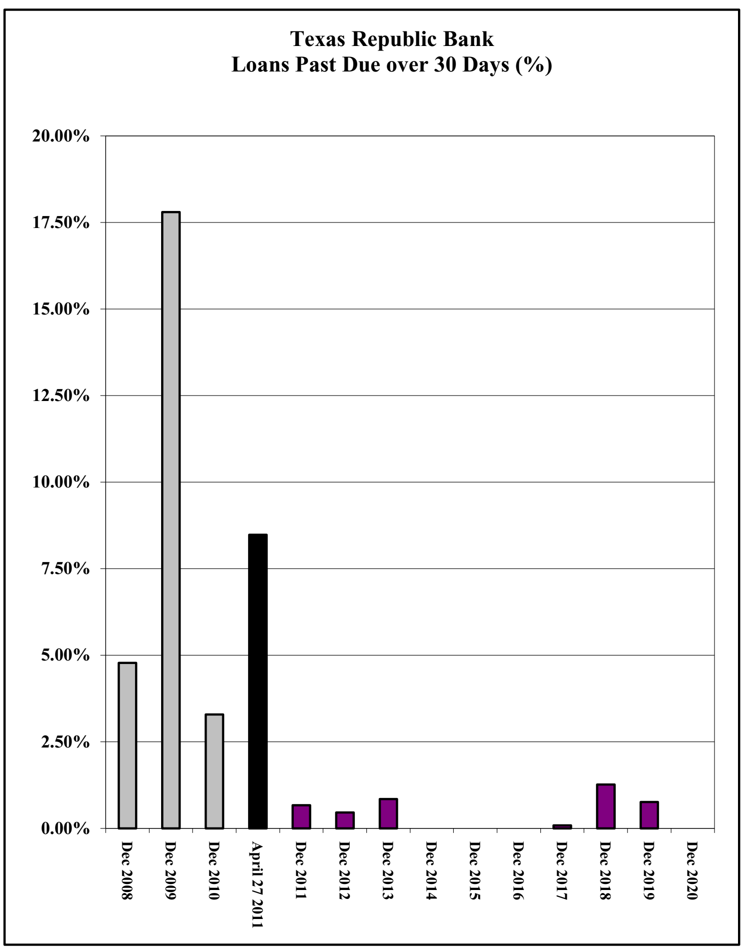
TXRB Holdings, Inc.
is a one-bank holding company with assets of $**364.9** million as of December 31, 2020. The bank has offices in three markets – Frisco/Collin County, Richardson/Dallas County, and Quanah/Hardeman County.

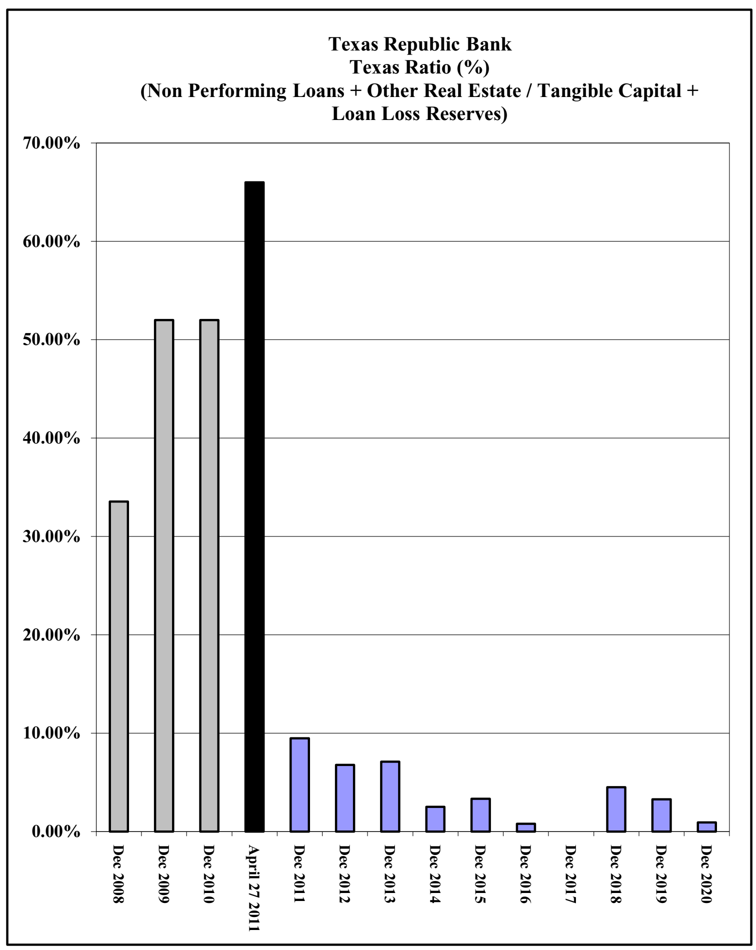
The Annual Meeting of Shareholders
is scheduled for September 16, 2021, at 6:00 pm at Bent Tree Country Club located at 5201 Westgrove Drive, Dallas, TX 75248.

The Corporate Headquarters
is located at 2595 Preston Road, Suite 100 Frisco, Texas 75034 and the telephone number is 972-334-0700. The President/CEO's e-mail address is banker@texasrepublicbank.com.

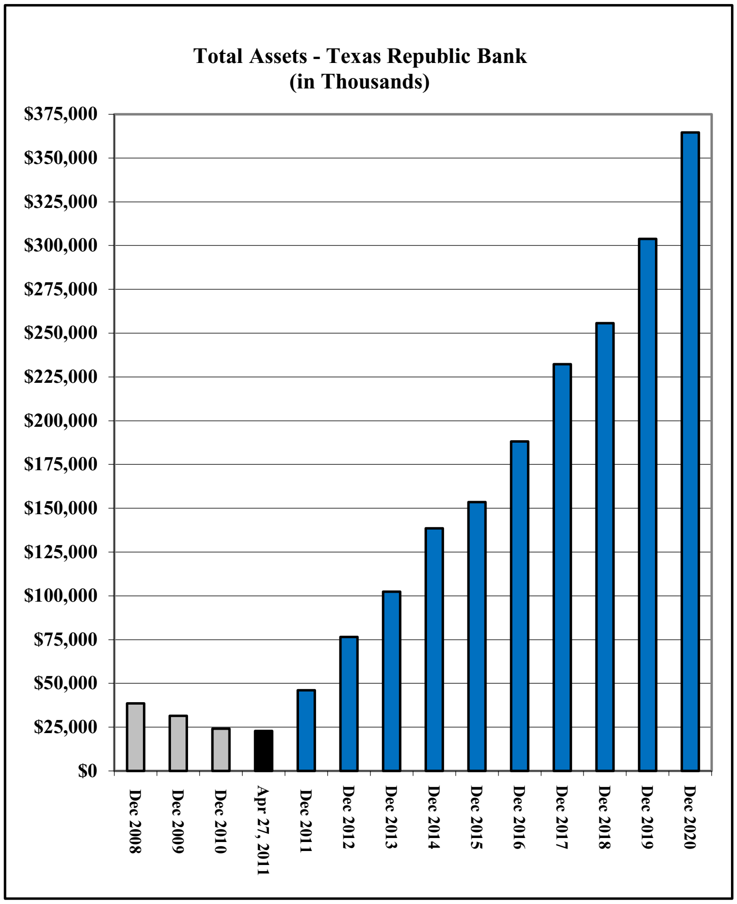


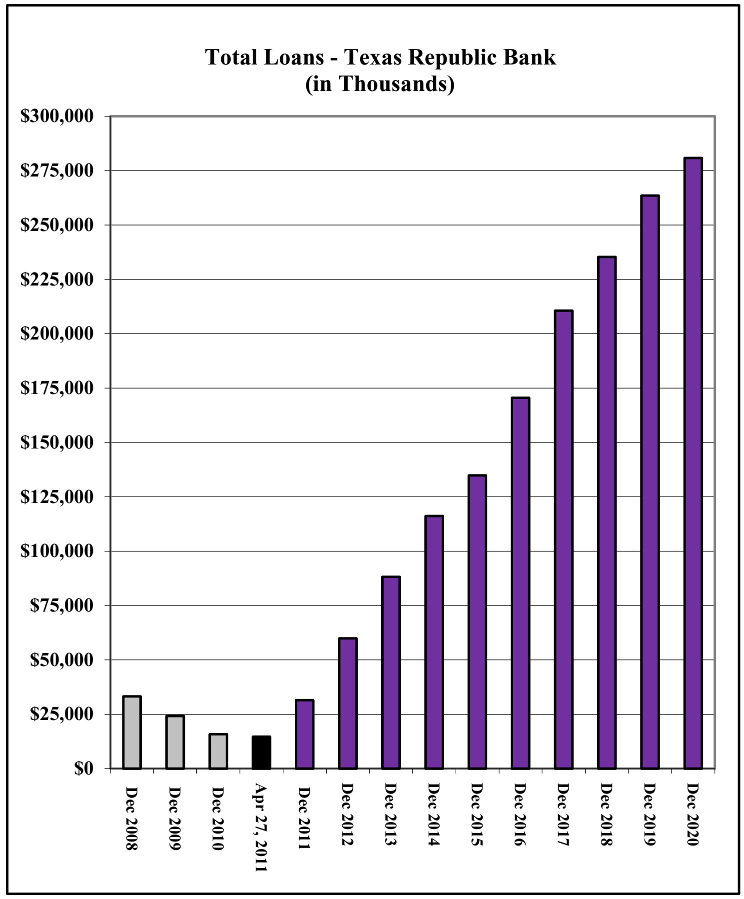


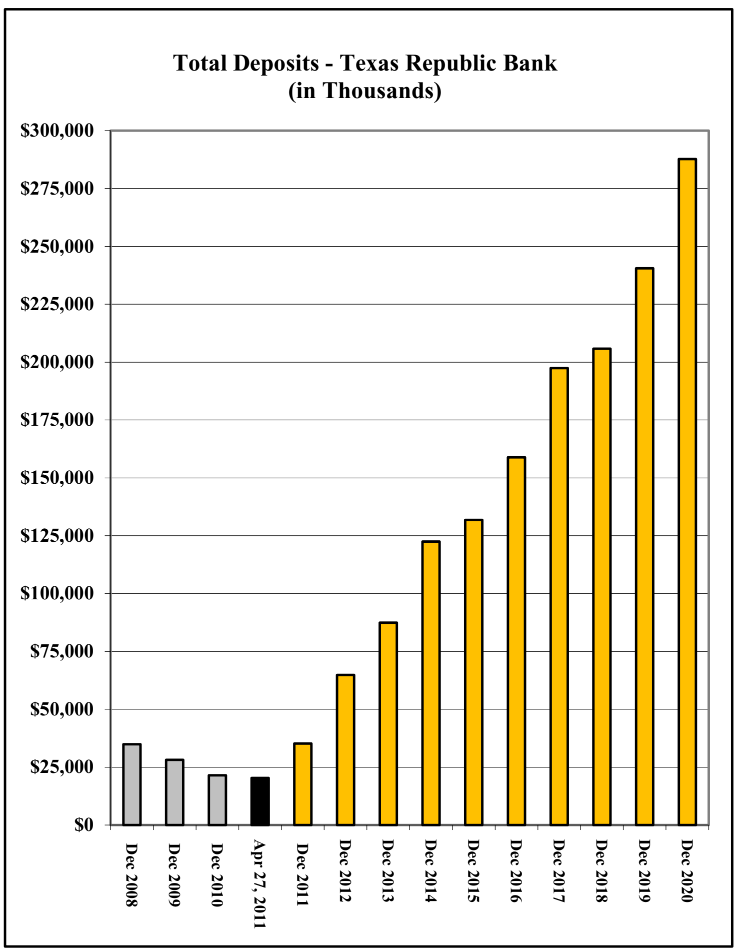


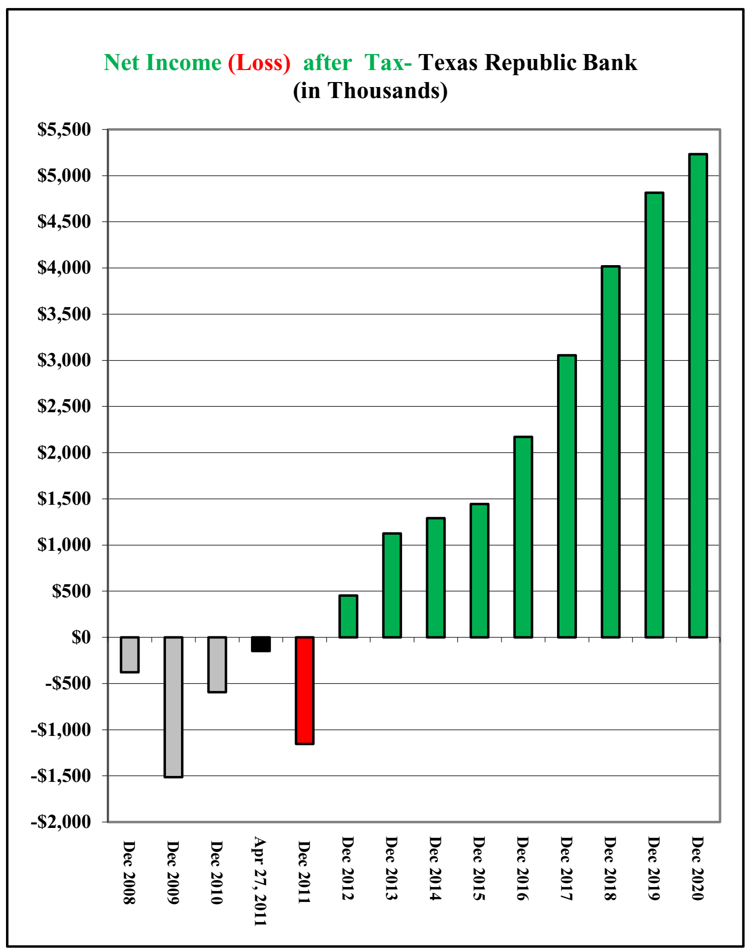


Note: The Black lines in each graph represent the information at the time the bank was purchased. Grey lines represent information before the bank purchase and the Colored lines represent information after the bank was purchased.









Note: The Black lines in each graph represent the information at the time the bank was purchased. Grey lines represent information before the bank purchase and the Colored lines represent information after the bank was purchased.

TXRB Holdings, Inc.

Stockholders

139 shareholders own 1,638,382 shares of TXRB Holdings, Inc.

TXRB Holdings, Inc.

Owns 12,500 shares (100%) of common stock of

Texas Republic Bank, N.A

TXRB Holdings, Inc.

Board of Directors

6 Members

Texas Republic Bank., N.A.

Board of Directors

6 Members

TEXAS REPUBLIC BANK Est. 1891

Banking like it oughta be!

SECURITY Bank

Banking like it oughta be!

TEXAS REPUBLIC MORTGAGE

Mortgage Lending like it oughta be!

55 Full-time Bankers

TXRB Holdings, Inc.

History and Significant Dates

May 1891
Bank Chartered as Quanah National Bank in Quanah, Hardeman County, TX

December 1910
Bank was succeeded by The Citizens National Bank of Quanah

August 1917
Bank went into voluntary liquidation and was succeeded by Security State Bank of Quanah

January 1923
Bank converted from state to national charter and name changed from Security State Bank to Security National Bank of Quanah

January 1934
With formation of the FDIC, bank becomes FDIC insured

October 1958
Bank moved to new location at 211 Main, Quanah, TX (we still operate a branch from this location)

1980
Weldon “Butch” Tabor, longtime Quanah farmer/rancher, buys controlling interest in Security National Bank of Quanah

2001
Weldon “Butch” Tabor sells controlling interest in Security National Bank to TRB Bancorp

November 2002
Frisco branch opens at 2595 Preston Rd, Frisco, TX under the name Texas Republic Bank

January 2003
Bank name formally changed to Texas Republic Bank, N.A. and Quanah location re-named Security Bank, an office of Texas Republic Bank, N.A.

March 2005
Bank headquarters moved from Quanah to Frisco

December 2009
TXRB Holdings, Inc. formed by David Baty and Tim Cantrell with intent to acquire a community bank

June 2010
TXRB Holdings, Inc. Founder group is finalized

Late 2010 – Early 2011
TXRB Holdings, Inc. Founder group leads successful capital raise effort to provide funds for bank acquisition, and ultimately raises $16.4 million

April 2011
TXRB Holdings, Inc. buys 100% of Texas Republic Bank, including Security Bank in Quanah

May 2014
Richardson branch opens at 690 W. Campbell Rd., Suite 100 Richardson, TX

January 2016
Frisco headquarters expands to add Suite 300, and bank celebrates 125 years in business

October 2018
Texas Republic Bank establishes Texas Republic Mortgage to offer conventional mortgage loan products

May 2019
Texas Republic Bank opens loan production office at 1707 Cooper Street, Melissa, TX

April 2021
Texas Republic Bank opens branch at 1212 South Preston Road, Suite 100, Celina, TX and bank celebrates 130 years in business, and 10 years ownership of TXRB Holdings, Inc.

TXRB Holdings, Inc. Board of Directors

David L. Baty
President/CEO
Banker

Tim L. Cantrell
Chariman
Real Estate Investments

Charles O. "Buz" Rolfe
Retire Banking Executive

Barry Pryor
Retired Executive

R. Scott Anderson
Attorney

Steve Pirkey, DVM
Veterinarian

Texas Republic Bank, N.A. Board of Directors

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President/CEO
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R. Scott Anderson
Attorney

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Veterinarian

Texas Republic Bank, N.A. Officers

David L. Baty (F)
President/CEO

Maureen McGuire (F)
President - TR Mortgage

Craig Overstreet (R)
President - Richardson

Scott Driscoll (M)
President – Melissa

Ron Corcoran (C)
President - Celina

Tom Golas (F)
Chief Financial Officer

Barry Brown (F)
Executive Vice President

Gary Carley (F)
Executive Vice President

Lane Troiani (F)
Senior Vice President
Senior Credit Officer

Pamela Folkman (F)
Senior Vice President
Senior Operations Officer

Jerry Song (F)
Senior Vice President

Kelly McBrayer (R)
Senior Vice President

Tammy Martinez (Q)
Senior Vice President

Carly Hollaway (F)
Senior Vice President

Niki Perkins (F)
Vice President

Joanna Coleman (F)
Assistant Vice President

Michelle Tellez (F)
Assistant Vice President

Miguel Interiano (F)
Assistant Vice President

Daniel Nam (F)
Assistant Vice President

Andrew Donaldon (F)
Banking Officer

Brian Burke (F)
Banking Officer

Hang Le (R)
Banking Officer

Erik Longabaugh (R)
Banking Officer

Jenni Higgins (F)
Banking Officer

Stephanie Shaw
Banking Officer

Stephanie Creekmore (C)
Banking Officer

Sharon Pudenz (C)
Banking Officer

F – Frisco R – Richardson Q – Quanah M – Melissa C – Celina

TXRB HOLDINGS, INC.
AND SUBSIDIARY

Consolidated Financial Statements
and Additional Information

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
TXRB Holdings, Inc. and Subsidiary
Frisco, Texas

We have audited the accompanying consolidated financial statements of TXRB Holdings, Inc. and Subsidiary, 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Payne & Smith, LLC

April 13, 2021

12240 Inwood Rd. • Suite 440 • Dallas, TX 75244 •214 / 363-9927• Fax 214 / 363-9980

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2020 and 2019

(In thousands of dollars, except for share amounts)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 79,913	$ 37,229
Loans held for sale	1,451	591
Loans held for investment, net	276,177	262,123
Bank premises and equipment, net	859	1,051
Core deposit intangible	25	51
Goodwill	1,092	1,092
Other assets	5,388	3,773
	$ 364,905	$ 305,910
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 83,032	$ 61,007
Interest bearing	204,138	179,223
Total deposits	287,170	240,230
Other borrowings	39,156	32,137
Other liabilities	1,140	1,190
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, $1 par value; 10,000,000 shares authorized, 1,641,716 shares issued and 1,638,382 shares outstanding at December 31, 2020 and 2019	1,641	1,641
Capital surplus	14,888	14,883
Retained earnings	20,950	15,869
Treasury stock, at cost	(40)	(40)
Total stockholders' equity	37,439	32,353
	$ 364,905	$ 305,910

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Income

For the Years Ended December 31, 2020 and 2019

(In thousands of dollars)

	2020	2019
Interest income:		
Interest and fees on loans	$ 17,671	$ 16,416
Interest on deposits in other banks	257	655
Other	65	76
Total interest income	17,993	17,147
Interest expense:		
Interest on deposit accounts	2,261	2,803
Interest on borrowings	942	750
Total interest expense	3,203	3,553
Net interest income	14,790	13,594
Provision for loan losses	583	370
Net interest income after provision for loan losses	14,207	13,224
Noninterest income:		
Service charges on deposit accounts	217	276
Bank card and credit card interchange fees	209	220
Gain on sales of loans held for sale	485	140
Gain on sales of other real estate owned	113	119
Other	79	88
Total noninterest income	1,103	843
Noninterest expense:		
Salaries and employee benefits	5,696	5,492
Occupancy expense	681	665
Data processing expense	787	770
Regulatory exam expense	277	151
Loan administration expense	276	87
Other	1,158	1,015
Total noninterest expense	8,875	8,180
Income before income tax expense	6,435	5,887
Income tax expense	1,354	1,240
Net income	$ 5,081	$ 4,647

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

(In thousands of dollars)

	2020	2019
Net income	$ 5,081	$ 4,647
Other comprehensive income, net of tax	-	-
Total comprehensive income	$ 5,081	$ 4,647

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2020 and 2019

(In thousands of dollars)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
Balance January 1, 2019	$ 1,641	$ 14,869	$ 11,222	$ (40)	$ 27,692
Net income	-	-	4,647	-	4,647
Stock compensation expense	-	14	-	-	14
Balance December 31, 2019	1,641	14,883	15,869	(40)	32,353
Net income	-	-	5,081	-	5,081
Stock compensation expense	-	5	-	-	5
Balance December 31, 2020	$ 1,641	$ 14,888	$ 20,950	$ (40)	$ 37,439

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(In thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Net income	$ 5,081	$ 4,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	242	233
Amortization	26	26
Provision for loan losses	583	370
Net gain on sales of other real estate owned	(113)	(119)
Net gain on sales of loans held for sale	(485)	(140)
Proceeds from sales of loans held for sale	24,734	8,545
Originations of loans held for sale	(25,109)	(8,996)
Stock compensation expense	5	14
Deferred tax benefit	(169)	(58)
Increase in other assets	(1,446)	(726)
Increase in other liabilities	77	137
Net cash provided by operating activities	3,426	3,933
Cash flows from investing activities:		
Purchases of securities available for sale	(179,999)	(159,991)
Proceeds from sales, maturities and principal reductions of securities available for sale	179,999	159,991
Net originations of loans	(14,854)	(29,758)
Net additions to bank premises and equipment	(50)	(103)
Net proceeds from sales of other real estate owned	203	236
Net cash used in investing activities	(14,701)	(29,625)
Cash flows from financing activities:		
Net increase in demand deposits, NOW and savings deposits	57,914	24,833
Net (decrease) increase in certificates of deposits	(10,974)	11,343
Net decrease in federal funds purchased	-	(1,066)
Proceeds from advances with Federal Home Loan Bank	30,915	10,000
Repayments on advances from Federal Home Loan Bank	(22,546)	(559)
Proceeds from other borrowings from commercial bank	4,000	1,200
Repayments on other borrowings from commercial bank	(5,350)	(450)
Net cash provided by financing activities	53,959	45,301
Net increase in cash and cash equivalents	42,684	19,609
Cash and cash equivalents at beginning of year	37,229	17,620
Cash and cash equivalents at end of year	$ 79,913	$ 37,229

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by TXRB Holdings, Inc. and Subsidiary (referred to collectively as the Company), in the preparation of its consolidated financial statements. These accounting policies conform to generally accepted accounting principles and practices generally followed within the banking industry. A description of the more significant of these policies follows.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of TXRB Holdings, Inc. (TXRB) and its wholly-owned subsidiary, Texas Republic Bank, N.A. (Bank). All significant inter-company transactions and balances have been eliminated in consolidation.

Business

TXRB acquired 100% of the common stock of Texas Republic Bank, N.A. (Bank) on April 27, 2011. The Bank, a national bank located in Frisco, Texas, with branches in Richardson and Quanah, Texas, began operations in 1891. The Bank provides a full range of banking services to individual and corporate customers and is subject to competition from other local, regional, and national financial institutions. The Bank is subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities.

The summary of the significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are the representation of the Company's management, who are responsible for their integrity and objectivity.

Global Pandemic

The Company's business has been and continues to be impacted by the ongoing outbreak of COVID-19. In March 2020, COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the President of the United States. Efforts to limit the spread of COVID-19 have led to shelter-in place orders, the closure of non-essential businesses, travel restrictions, supply chain disruptions and prohibitions on public gatherings, among other things, throughout many parts of the United States and, in particular, the markets in which the Company operates. As the current pandemic is ongoing and dynamic in nature, there are many uncertainties related to COVID-19 including, among other things, its ultimate geographic spread; its severity; the duration of the outbreak; the impact to the Company's customers, employees and vendors; the impact to the financial services and banking industry; and the impact to the economy as a whole. COVID-19 has negatively affected, and is expected to continue to negatively affect, the Company's business, financial position and operating results. The Company's financial position is susceptible to the ability of loan customers to meet loan obligations. In light of the uncertainties, the ultimate adverse impact of COVID-19 cannot be reliably estimated at this time.

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and valuation of other real estate owned. While management uses available information to recognize losses on loans and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company's allowance for loan and other real estate losses. They may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

A significant portion of the Company's loans are secured by real estate and related assets located in local markets. Accordingly, the ultimate collectability of this portion of the Company's loan portfolio is susceptible to changes in local market conditions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, other short-term investments and federal funds sold. All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Federal Reserve Bank (FRB) Stock

The bank is a member of its regional Federal Reserve Bank (FRB). FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. FRB stock is included in other assets in the accompanying consolidated balance sheets.

Federal Home Loan Bank (FHLB) Stock

The bank is a member of the Federal Home Loan Bank (FHLB). Members are required to own a certain amount of stock based on the level of its borrowings and also may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. FHLB stock is included in other assets in the accompanying consolidated balance sheets.

Loans Held for Sale

The Company originates mortgage loans both for sale and for investment purposes. The designation of mortgage loans is made by management at the time of origination. Mortgage loans designated as held for sale are stated at the lower of aggregate cost, net of discounts or premiums, or estimated fair market value. Market value is based on the contract prices at which the mortgage loans will be sold or, if the loans are not committed for sale, the current market price. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Gain or loss on the sale of mortgage loans held for sale is generally determined by the difference between the carrying amounts of the related loans sold and the net proceeds thereof. Since the Company does not retain servicing on the sold loans, proceeds from loans typically include a service release premium.

The Company enters into interest rate lock commitments, which are commitments to originate mortgage loans to be held for sale, whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. Accordingly, such commitments are recorded at fair value with changes in fair value recorded in net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements and considers the difference between current levels of interest rates and the committed rates. The Company also has forward sale commitments related to these interest rate lock commitments, which are recorded at fair value with changes in fair value recorded in net gain or loss on sale of mortgage loans. The effect of these derivative instruments was insignificant.

Loans

The Company grants commercial, real estate, agricultural, and consumer loans to customers. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in its geographic area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees and costs associated with originating loans with maturities greater than one year are deferred and recognized over the life of the loan as an adjustment of yield.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, the Company considers the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Company's collateral position. Regulatory provisions typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest on nonaccrual loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment based on historical loss experience, current economic conditions, and performance trends.

Troubled Debt Restructured (TDR) Loans

A TDR loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms, which have been modified or restructured due to a borrower's financial difficulty, include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals, and rewrites. A TDR loan would generally be considered impaired in the year of modification and will be assessed periodically for further impairment.

COVID-19 Loan Deferments

Certain of the Company's borrowers may be unable to meet their contractual payment obligations because of the adverse effects of COVID-19. To help mitigate these effects, loan customers may apply for a deferral of payments, or portions thereof, for up to 90 days. After 90 days, customers may apply for an additional deferral. In the absence of other intervening factors, such short-term modifications made on a good faith basis are not categorized as troubled debt restructurings, nor are loans granted payment deferrals related to COVID-19 reported as past due or placed on non-accrual status (provided the loans were not past due or on non-accrual status prior to the deferral). At December 31, 2020, there were no outstanding loans in COVID-19 related deferment.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses inherent in the loan portfolio. The allowance for possible loan losses includes allowance allocations calculated in accordance with Accounting Standards Codification (ASC) Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general allocation is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity, and other financial and qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves, which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Bank Premises and Equipment

Land is carried at cost. Premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method over the estimated useful lives of the related property.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Intangible Assets

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability. The Company's intangible assets relate to core deposits acquired in the purchase of the Bank. Intangible assets with definite useful lives are amortized over their estimated life.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. At least annually or more frequently if circumstances dictate, management assesses qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that goodwill is impaired. If, after assessing the totality of events and circumstances, management concludes that it is not more likely than not that goodwill is impaired, then no further action is taken. If, however, management concludes otherwise, then the fair value of goodwill is determined and tested for impairment by comparing the fair value with the carrying amount in accordance with ASC Topic 350, *Intangibles-Goodwill and Other*.

As of December 31, 2020, the Company evaluated recent potential triggering events that might be indicators that goodwill was impaired. The events include the economic disruption and uncertainty surrounding the COVID-19 pandemic and the circumstances surrounding recent volatility in the market price of crude oil. Based on this evaluation, the Company concluded that goodwill was not more than likely impaired as of that date.

Income Taxes

TXRB Holdings Inc. files a consolidated income tax return with its subsidiary. Federal income tax expense or benefit has been allocated on a separate return basis.

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2017.

Revenue Recognition

Effective January 1, 2019, the Company adopted new policies related to revenue recognition with the adoption of Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The implementation of the new standard did not have a material impact on the measurement or recognition of revenue.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to non-interest revenue streams, such as deposit related fees, interchange fees, merchant income, and brokerage and investment advisory service commissions. The recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company's revenue is generated from contracts with customers.

Treasury Stock

Treasury stock is recorded at cost. At December 31, 2020 and 2019, the Company had 3,334 shares held in treasury.

Stock Compensation Plans

Compensation expense for stock options and warrants is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized ratably over the service period of the award. The fair value of stock options and warrants is estimated using the Black-Scholes option-pricing model. The fair value on non-vested stock awards is generally the market price of the Company's stock on the date of grant.

Advertising

Advertising consists of the Company's advertising in its local market area. Advertising is expensed as incurred. Advertising expense was approximately $111,000 and $123,000 for the years ended December 31, 2020 and 2019, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss), which includes the change in unrealized gains and losses on securities available for sale, if applicable.

Fair Values of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

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

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through, April 13, 2021, the date the consolidated financial statements were available to be issued.

Reclassification

Certain amounts previously reported have been reclassified to conform to the current format. The reclassifications have no impact on the consolidated financial statements.

2. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The amendment to the Leases topic of the Accounting Standards Codification was to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amended guidance and subsequent updates require lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (i) A lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The amendment will be effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13*, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The update and subsequent updates require 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 and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as the credit quality and underwriting standards of an organization's portfolio. The guidance replaces the incurred loss model with a current expected loss model, which is referred to as the current expected credit loss (CECL) model. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In April 2019, The FASB issued Accounting Standards Update 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses (Topic 815)*, *Derivatives and Hedging, and Financial Instruments* (*Topic 825*) to address certain codification improvements and to provide certain accounting policy electives related to accrued interest as well as the disclosure related to credit losses, among other things. In May 2019, the FASB issued Accounting Standards Update 2019-05, *Financial Instruments—Credit Losses* (*Topic 326*): *Targeted Transition Relief*, to provide transition relief in connection with the adoption of ASU 2016-03, whereby entities would have the option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The amendments for non-public business entities will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal year beginning after December 15, 2018. The Company has formed a CECL committee and is evaluating the impact this amendment will have on the Company's consolidated financial statements. The adoption of ASU 2016-13 is not expected to have a significant impact on the regulatory capital ratios. The ultimate impact of adoption could be significantly different than current expectation as modeling processes will be significantly influenced by the composition, characteristics and quality of the loan and securities portfolios as the prevailing economic conditions and forecasts as of that date, notwithstanding any further refinements to the expected credit loss models.

In January 2017, the FASB issued Accounting Standards Update 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The update simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2022. Early application is permitted. The adoption of ASU 2017-04 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The update provides optional expedients and exceptions for accounting related to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-4 was effective upon issuance and generally can be applied through December 31, 2022. The adoption of ASU 2020-04 did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued Accounting Standards Update 2020-08, *Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs.* The update clarifies the accounting for the amortization of purchase premiums for callable debt securities with multiple call dates. ASU 2020-08 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. The adoption of ASU 2020-08 is not expected to have a material impact on the Company's consolidated financial statements.

3. Statement of Cash Flows

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, loans made to customers and principal collections on those loans.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2020 and 2019 is presented as follows (in thousands):

	2020	2019
Cash transactions:		
Interest expense paid	$ 3,354	$ 3,363
Federal income taxes paid	$ 1,645	$ 1,335
Noncash transactions:		
Net transfer from loans to other real estate owned	$ 90	$ 117

4. Loans and Allowance for Loan Losses

Loans held for investment at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Real estate:		
Construction, land development, land	$ 54,813	$ 51,152
Farmland	10,797	4,796
1-4 family residential properties	80,859	106,463
Multi-family residential	4,015	4,123
Nonfarm nonresidential owner occupied	67,124	52,654
Nonfarm nonresidential other	20,735	17,998
Total real estate	238,343	237,186
Commercial	40,415	27,004
Agricultural	987	477
Consumer	656	861
Other	21	127
	280,422	265,655
Unearned income	(841)	(714)
Allowance for loan losses	(3,404)	(2,818)
	$ 276,177	$ 262,123

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2020 and 2019, the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially affected by the general economic conditions of the region.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (Cares Act) was passed into law. Among other provisions, the Cares Act created the Paycheck Protection Program (PPP) for loans to small businesses to pay certain payroll, group health care benefit costs and qualifying mortgage, rent and utility payments. A second legislative act was passed into law on April 24, 2020 to provide additional funding to the PPP. The PPP is administered by the Small Business Administration (SBA). Under the PPP, a borrower may have a portion or all of its loan forgiven if the proceeds were for qualified expenditures within a "covered period." Loans deemed to meet the PPP criteria for loan forgiveness are reimbursed by the SBA. During 2020, the Bank funded approximately $32,166,000 of PPP loans and received reimbursement from the SBA of approximately $14,231,000. At December 31, 2020, the Bank had outstanding PPP loans of approximately $17,935,000 included in commercial loans. Management believes substantially all PPP loans outstanding at December 31, 2020 meet the criteria for loan forgiveness and expect to receive future reimbursement from the SBA.

Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE) for a financial institution. Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institution's total risk based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration. At December 31, 2020 and 2019, the Bank had total commercial real estate loans of $146,687,000 and $125,927,000 respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 129% and 138% of its total risk based capital at December 31, 2020 and 2019, respectively. The Bank had non-owner occupied commercial real estate loans representing 187% and 198% of its total risk based capital for years ending December 31, 2020 and 2019, respectively.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	Beginning Balance	Provision	Charge offs	Recoveries	Ending Balance
December 31, 2020:					
Real estate:					
Construction, land development, land	$ 610	$ 192	$ -	$ -	$ 802
Farmland	57	101	-	-	158
1-4 family residential properties	832	21	-	3	856
Multi-family residential	49	10	-	-	59
Nonfarm nonresidential owner occupied	628	333	-	-	961
Nonfarm nonresidential other	215	88	-	-	303
Total real estate	2,391	745	-	3	3,139
Commercial	420	(168)	(13)	13	252
Agricultural	3	5	-	-	8
Consumer	3	2	-	-	5
Other	1	(1)	-	-	-
	$ 2,818	$ 583	$ (13)	$ 16	$ 3,404
December 31, 2019:					
Real estate:					
Construction, land development, land	$ 344	$ 266	$ -	$ -	$ 610
Farmland	127	(70)	-	-	57
1-4 family residential properties	1,032	(201)	-	1	832
Multi-family residential	42	7	-	-	49
Nonfarm nonresidential owner occupied	457	171	-	-	628
Nonfarm nonresidential other	222	(7)	-	-	215
Total real estate	2,224	166	-	1	2,391
Commercial	272	214	(67)	1	420
Agricultural	7	(4)	-	-	3
Consumer	9	(6)	-	-	3
Other	1	-	-	-	1
	$ 2,513	$ 370	$ (67)	$ 2	$ 2,818

The Company's individual ALLL allocations are established for probable losses on specific loans. The Company's general ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics and on economic conditions and other qualitative risk factors both internal and external to the Company. Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2020 and 2019 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations			
					General		
	Individually	General	Total loans	Individually	Historical	Other	Total ALLL
December 31, 2020:							
Real estate:							
Construction, land development, land	$ -	$ 54,813	$ 54,813	$ -	$ -	$ 802	$ 802
Farmland	-	10,797	10,797	-	-	158	158
1-4 family residential properties	401	80,458	80,859	-	-	856	856
Multi-family residential	-	4,015	4,015	-	-	59	59
Nonfarm nonresidential owner occupied	-	67,124	67,124	-	-	961	961
Nonfarm nonresidential other	-	20,735	20,735	-	-	303	303
Total real estate	401	237,942	238,343	-	-	3,139	3,139
Commercial	-	40,415	40,415	-	10	242	252
Agricultural	-	987	987	-	-	8	8
Consumer	-	656	656	-	-	5	5
Other	-	21	21	-	-	-	-
	$ 401	$ 280,021	$ 280,422	$ -	$ 10	$ 3,394	$ 3,404
December 31, 2019:							
Real estate:							
Construction, land development, land	$ -	$ 51,152	$ 51,152	$ -	$ -	$ 610	$ 610
Farmland	-	4,796	4,796	-	-	57	57
1-4 family residential properties	1,215	105,248	106,463	-	1	831	832
Multi-family residential	-	4,123	4,123	-	-	49	49
Nonfarm nonresidential owner occupied	-	52,654	52,654	-	-	628	628
Nonfarm nonresidential other	-	17,998	17,998	-	-	215	215
Total real estate	1,215	235,971	237,186	-	1	2,390	2,391
Commercial	-	27,004	27,004	-	26	394	420
Agricultural	-	477	477	-	-	3	3
Consumer	-	861	861	-	-	3	3
Other	-	127	127	-	-	1	1
	$ 1,215	$ 264,440	$ 265,655	$ -	$ 27	$ 2,791	$ 2,818

Impaired Loans

Impaired loans include loans modified in troubled debt restructurings (TDRs) where concessions have been granted to borrowers experiencing financial difficulties. The Company had no performing TDRs at December 31, 2019. The following is a summary of information pertaining to impaired loans at December 31, 2020 and 2019 (in thousands):

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Recorded Investment Total	Related Allowance
December 31, 2020:					
Real estate:					
Construction, land development, land	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
1-4 family residential properties	403	401	-	401	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-	-
Nonfarm nonresidential other	-	-	-	-	-
Total real estate	403	401	-	401	-
Commercial	-	-	-	-	-
Agricultural	-	-	-	-	-
Consumer	-	-	-	-	-
Other	-	-	-	-	-
	$ 403	$ 401	$ -	$ 401	$ -
December 31, 2019:					
Real estate:					
Construction, land development, land	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
1-4 family residential properties	1,215	1,215	-	1,215	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-	-
Nonfarm nonresidential other	-	-	-	-	-
Total real estate	1,215	1,215	-	1,215	-
Commercial	-	-	-	-	-
Agricultural	-	-	-	-	-
Consumer	-	-	-	-	-
Other	-	-	-	-	-
	$ 1,215	$ 1,215	$ -	$ 1,215	$ -

Average impaired loans during 2020 and 2019 were approximately $323,000 and $243,000, respectively.

At December 31, 2019, the Company had one impaired loan of $1,215,000 that was past due 90 days and continued to accrue interest. In March of 2020, the Company foreclosed on this loan and the underlying property was transferred to other real estate owned.

Past Due and Nonaccrual Loans

The following is a summary of past due and nonaccrual loans at December 31, 2020 and 2019 (in thousands):

	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total Past Due and Nonaccrual
December 31, 2020:				
Real estate:				
Construction, land development, land	$ -	$ -	$ -	$ -
Farmland	-	-	-	-
1-4 family residential properties	216	-	401	617
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-
Nonfarm nonresidential other	-	-	-	-
Total real estate	216	-	401	617
Commercial	-	-	-	-
Agricultural	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
	$ 216	$ -	$ 401	$ 617
December 31, 2019:				
Real estate:				
Construction, land development, land	$ -	$ -	$ -	$ -
Farmland	-	-	-	-
1-4 family residential properties	767	1,215	-	1,982
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-
Nonfarm nonresidential other	-	-	-	-
Total real estate	767	1,215	-	1,982
Commercial	13	-	-	13
Agricultural	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
	$ 780	$ 1,215	$ -	$ 1,995

No significant additional interest would have been recognized on nonaccrual impaired loans if the loans had been on accrual status during 2020. The Company had no loans on nonaccrual during the year ended December 31, 2019.

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring (TDR) if both the borrower is experiencing financial difficulties and the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company did not have any TDR's during the years ended December 31, 2020 and 2019. The Company is not committed to lend additional funds to debtors whose loans have been modified.

Credit Quality Information

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

Pass

Loans classified as pass are loans with low to average risk.

Special Mention

Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

Substandard

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

Doubtful

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

As of December 31, 2020 and 2019, based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2020:					
Real estate:					
Construction, land development, land	$ 54,813	$ -	$ -	$ -	$ 54,813
Farmland	10,797	-	-	-	10,797
1-4 family residential properties	80,458	-	401	-	80,859
Multi-family residential	4,015	-	-	-	4,015
Nonfarm nonresidential owner occupied	67,124	-	-	-	67,124
Nonfarm nonresidential other	20,735	-	-	-	20,735
Total real estate	237,942	-	401	-	238,343
Commercial	40,147	-	268	-	40,415
Agricultural	987	-	-	-	987
Consumer	656	-	-	-	656
Other	21	-	-	-	21
	$ 279,753	$ -	$ 669	$ -	$ 280,422
December 31, 2019:					
Real estate:					
Construction, land development, land	$ 50,415	$ -	$ 737	$ -	$ 51,152
Farmland	4,796	-	-	-	4,796
1-4 family residential properties	105,174	-	1,289	-	106,463
Multi-family residential	4,123	-	-	-	4,123
Nonfarm nonresidential owner occupied	52,251	-	403	-	52,654
Nonfarm nonresidential other	17,998	-	-	-	17,998
Total real estate	234,757	-	2,429	-	237,186
Commercial	27,004	-	-	-	27,004
Agricultural	477	-	-	-	477
Consumer	861	-	-	-	861
Other	127	-	-	-	127
	$ 263,226	$ -	$ 2,429	$ -	$ 265,655

5. Bank Premises and Equipment

Bank premises and equipment at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Bank building	$ 1,655	$ 1,655
Furniture and equipment	762	843
Automobiles	36	36
	2,453	2,534
Accumulated depreciation	(1,594)	(1,483)
	$ 859	$ 1,051

The Company leases a portion of its bank premises under non-cancelable operating leases. Rental expense totaled approximately $323,000 and $321,000 for the years ended December 31, 2020 and 2019, respectively. Pursuant to the terms of the lease agreements in effect at December 31, 2020, pertaining to banking premises, future minimum rent commitments are as follows (in thousands):

Year	Amount
2021	$ 257
2022	156
2023	55
2024	23
2025	-
Thereafter	-
	$ 491

6. Goodwill

Goodwill of approximately $1,092,000 resulting from the acquisition of the Bank is included in the accompanying consolidated financial statements at December 31, 2020 and 2019. As provided by ASC Topic 350, *Intangibles – Goodwill and Other*, the Company performs an annual impairment test for goodwill if it is determined that it is not more likely than not that the asset is impaired. At December 31, 2020 and 2019, management has determined that there is no impairment of goodwill.

7. Core Deposit Intangible

Core deposit intangibles resulting from the acquisition of the Bank during 2011, are being amortized using the straight-line method over a period of 10 years. Assigned costs and accumulated amortization at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Gross amount	$ 273	$ 273
Accumulated amortization	(248)	(222)
	$ 25	$ 51

Changes in the carrying amount of the core deposit intangible for the years ended December 31, 2020 and 2019 are summarized as follows (in thousands):

	2020	2019
Net core deposit intangible asset at the beginning of the year	$ 51	$ 77
Additions during the year	-	-
Amortization during the year	(26)	(26)
Net core deposit intangible asset at the end of the year	$ 25	$ 51

8. Deposits

Deposits at December 31, 2020 and 2019 are summarized as follows (in thousands):

	2020		2019	
	Amount	Percent	Amount	Percent
Noninterest bearing demand accounts	$ 83,032	28.9	$ 61,007	25.4
Interest bearing demand accounts	106,161	37.0	78,355	32.6
Savings accounts	17,923	6.2	9,840	4.1
Certificates of deposit, $250,000 and greater	37,509	13.1	47,293	19.7
Certificates of deposit, less than $250,000	42,545	14.8	43,735	18.2
	$ 287,170	100.0	$ 240,230	100.0

The Company had no brokered deposits at December 31, 2020 and 2019.

At December 31, 2020, scheduled maturities of certificates of deposit are as follows (in thousands):

Year	Amount
Less than one year	$ 64,670
One to three years	15,252
Over three years	132
	$ 80,054

9. Other Borrowings

Borrowings from a Commercial Bank

The Company had a note payable with an unrelated commercial bank with an original balance of $4,500,000. At December 31, 2019, the note payable had an outstanding balance of approximately $4,050,000. On September 15, 2020, the Company refinanced this note payable with a refinanced balance of $4,000,000. At December 31, 2020, the note payable had an outstanding balance of approximately $3,900,000. The note payable matures September 15, 2025 and is secured by 100% of outstanding common stock of Texas Republic Bank. The note payable has a fixed interest rate of 4.10% and is payable in 20 quarterly interest payments beginning December 15, 2020 through September 15, 2025. The unpaid principal balance is due and payable in 18 quarterly payments of $100,000 beginning on December 15, 2020 through June 15, 2025 with the remaining unpaid principal balance due at maturity.

At December 31, 2020, the scheduled repayment of principal due on the note payable is as follows (in thousands):

Year		Amount
2021	$	400
2022		400
2023		400
2024		400
2025		2,300
	$	3,900

The Company also has a revolving line of credit with this unrelated commercial bank for up to $3,000,000. The LOC has a stated interest rate at the prime rate with a floor rate of 3.75% (interest rate of 3.75% and 4.00% at December 31, 2020 and 2019, respectively), matures on September 15, 2022, and is cross collateralized with the note payable discussed above. At December 31, 2020, the Company had no advances on this line of credit. At December, 31, 2019, the Company had an advance on this line of credit in the amount of approximately $1,200,000. The Company subsequently paid off the advance on January 13, 2020.

Federal Home Loan Bank

At December 31, 2020 and 2019, the Bank had advances from the Federal Home Loan Bank (FHLB) in the amount of approximately $35,256,000 and $26,887,000, respectively. Advances from the FHLB are collateralized by a security agreement, which requires the borrowing bank to maintain a certain level of qualified first mortgage and certain PPP loan collateral in relation to the amount of outstanding debt. The advances bear interest at rates of 0.97% to 3.02%. At December 31, 2020 scheduled maturities are as follows (in thousands):

Year		Amount
2021	$	2,342
2022		235
2023		11,904
2024		10,043
2025		10,044
Thereafter		688
	$	35,256

At December 31, 2020, the Company has additional unused borrowing capacity with the FHLB of approximately $96,556,000.

Federal Funds Purchased

Federal funds purchased are short-term borrowings that typically mature within one to ninety days. The Company had no federal funds purchased at years ended December 31, 2020 and 2019. The Company had federal fund lines available from commercial banks of approximately $27,600,000 and $25,100,000 at December 31, 2020 and 2019, respectively.

10. Income Taxes

The provision for income tax for the years ended December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Income tax expense (benefit):		
Current	$ 1,523	$ 1,298
Deferred	(169)	(58)
Income tax expense	$ 1,354	$ 1,240

Income taxes for financial reporting purposes approximate the amounts computed by the statutory federal income tax rates for the years ended December 31, 2020 and 2019.

Deferred income taxes reflect the net tax effects of temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax return purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Deferred tax assets:		
Allowance for loan losses for book in excess of tax	$ 715	$ 592
Depreciation	69	39
Organizational expenses	19	22
Stock compensation	45	44
Loan fees	174	147
Total deferred tax assets	1,022	844
Deferred tax liabilities:		
Goodwill	133	119
Other	8	13
Total deferred tax liabilities	141	132
Net deferred tax asset	$ 881	$ 712

At December 31, 2020 and 2019, the Company had an income tax receivable of approximately $143,000 and $24,000, respectively, which is included in other assets in the accompanying consolidated balance sheet.

11. Commitments and Contingencies

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

The Company does not anticipate any material losses as a result of commitments and contingent liabilities.

12. Employee Benefits

The Company maintains a contributory 401(k) employee benefit plan (Plan) covering substantially all employees whereby the Company contributes 100% of the first 3% compensation contributed and 50% of an additional 2% of compensation contributed by the eligible employees. During 2020 and 2019, the Company made matching contributions of approximately $147,000 and $145,000, respectively, to the Plan. Additionally, during 2020 and 2019, the Company made discretionary contributions to the Plan of approximately $120,000 and $100,000, respectively.

13. Financial Instruments

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. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit 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 and standby letters of credit is represented by the contractual 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.

At December 31, 2020 and 2019, the approximate amounts of these financial instruments were as follows (in thousands):

	2020	2019
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 37,715	$ 43,715
Standby letters of credit	263	514
	$ 37,978	$ 44,229

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral and the nature of such collateral is essentially the same as that involved in making commitments to extend credit.

Although the maximum exposure to loss is the amount of such commitments, management currently anticipates no material losses from such activities.

14. Significant Group Concentrations of Credit Risk

Most of the Company's business activity is with customers located within Texas. Such customers are normally also depositors of the Company.

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 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 nature of the Company's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses from such accounts.

15. Related Party Transactions

In the ordinary course of business, the Company has and expects to continue to have transactions, including borrowings, with its officers, directors and their affiliates. In the opinion of management, such transactions are on the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unaffiliated persons. At December 31, 2020 and 2019, the aggregate amounts of such loans were approximately $2,880,000 and $881,000, respectively. During 2020, new related party loans originations totaled approximately $2,094,000 and repayments totaled approximately $95,000.

From time to time, the Bank sells participations in loans made by the Bank to TXRB and related affiliates of the Bank. Loan participations of approximately $216,000 and $2,000,000 had been sold by the Bank to TXRB at December 31, 2020 and 2019, respectively. Additionally, the Bank had loan participations sold to the chief executive officer of the Bank and his related interests of approximately $86,000 and $142,000, respectively, at December 31, 2020 and 2019.

The Company leases a branch location from an entity controlled by three directors of the Company. Rent paid in connection with this lease was approximately $263,000 and $264,000, respectively, for the years ending December 31, 2020 and 2019. Pursuant to the terms of the lease agreements in effect at December 31, 2020 future minimum rent commitments (also included in Note 5) are as follows (in thousands):

Year	Amount
2021	$ 201
2022	101
2023	-
2024	-
2025	-
Thereafter	-
	$ 302

16. Fair Value Disclosures

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures,* establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

At December 31, 2020 and 2019, the Company had no significant assets or liabilities recorded at fair value on a recurring basis.

Certain financial and non-financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following table summarizes financial assets and non-financial assets, measured at fair value on a non-recurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2020:				
Financial assets - impaired loans	$ -	$ -	$ 401	$ 401
December 31, 2019:				
Financial assets - impaired loans	$ -	$ -	$ 1,215	$ 1,215

During the years ended December 31, 2020 and 2019, certain impaired loans were remeasured and reported at fair value of the underlying collateral. For the years ended December 31 2020 and 2019, impaired loans with a carrying value of $401,000 and $1,215,000, respectively, with no specific valuation allocation were based on collateral valuations utilizing Level 3 valuation inputs.

17. Stock Options

The Company has established a non-qualified stock option plan (Option Plan) which allows for issuance of up to 130,000 shares of the Company's common stock. Under the Option Plan, options are to be granted to certain key employees of the Company. The Option Plan is administered by the Board of Directors. The stock options (options) become exercisable on a pro rata annual basis over a four-year period and expire ten years from the date of the grant. The Company granted 250 options of its common stock for the option price of $21.86 per share and 250 options of its common stock for the option price of $23.10 per share during the year ended December 31, 2020. At December 31, 2020, the Company had 50,350 options available for grant under the Option Plan. The Company granted 5,250 options of its common stock for the option price of $21.86 per share during the year ended December 31, 2019. At December 31, 2019, the Company had 44,700 options available for grant under the Option Plan.

A summary of option activity under the Option Plan as of December 31, 2020 and 2019 and changes during the years then ended are as follows:

	2020		2019	
	Option Price Per Share	Shares Under Option	Option Price Per Share	Shares Under Option
Outstanding at beginning of year	$10.00 - $21.86	85,300	$10.00 - $17.00	80,350
Granted during the year	$21.86 - $23.10	500	$21.86	5,250
Exercised during the year	-	-	-	-
Forfeited during the year	$12.19 - $21.86	(6,150)	$13.27	(300)
Outstanding at the end of year	$10.00 - $23.10	79,650	$10.00 - $21.86	85,300
Exercisable at end of year		74,170		73,489
Weighted average remaining contractual life		1.89		3.25

A summary of the status of the Company's nonvested shares at December 31, 2020 and 2019 and the changes during the years then ended are as follows:

	2020		2019	
	Shares	Weighted Average Grant Fair Value	Shares	Weighted Average Grant Fair Value
Nonvested at January 1	11,811	$ 4.30	11,059	$ 3.60
Granted during the year	500	3.67	5,250	4.89
Vested during the year	(3,362)	3.90	(4,342)	3.92
Forfeited during the year	(3,469)	4.16	(156)	2.94
Nonvested at December 31	5,480	$ 4.47	11,811	$ 4.30

Stock compensation cost is to be measured using the fair value of an award on the grant date and recognized over the service (vesting) period. The fair value of each option grant during 2020 and 2019 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2020	2019
Dividend yield	0.00%	0.00%
Expected life	10 years	10 years
Expected volatility	4.70% - 4.77%	4.88%
Risk-free interest rate	0.74% - 1.88%	2.15% - 2.97%

The expected volatility is based upon historical volatility of commercially insured banks in the state of Texas. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield in effect at the date of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the dividend history of the Company.

18. Stock Warrants

During 2011, certain founders of the Company received warrants to purchase 132,500 shares of the Company's stock at $10.00 per share. The warrants were immediately vested and expire in April, 2021.

19. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. 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 Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in on January 1, 2019. The net unrealized gain or loss on securities available for sale is not included in computing regulatory capital. Management believes as of December 31, 2020 and 2019, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions 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 December 31, 2020, 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 Bank's category.

Additionally, Basel III added a 2.5% "capital conservation buffer" which was designed for banking institutions to absorb losses during periods of economic stress. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and was phased in over a four-year period (increased by 0.625% on each subsequent January 1, until it reached 2.5% on January 1, 2019). Banking institutions with capital ratios below the minimum for capital adequacy purposes plus the capital conservation buffer may face constraints on dividends, equity repurchases and executive compensation relative to the amount of the shortfall.

The Bank's actual and required capital amounts and ratios at December 31, 2020 and 2019 are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum for Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:								
Total capital to risk weighted assets	$ 42,562	16.80%	$ 20,265	8.00%	$ 26,598	10.50%	$ 25,332	10.00%
Tier 1 (core) capital to risk weighted assets	39,393	15.55%	15,199	6.00%	21,532	8.50%	20,265	8.00%
Common Tier 1 (CET1)	39,393	15.55%	11,399	4.50%	17,732	7.00%	16,465	6.50%
Tier 1 (core) capital to average assets	39,393	10.65%	14,790	4.00%	14,790	4.00%	18,488	5.00%
December 31, 2019:								
Total capital to risk weighted assets	$ 36,948	15.88%	$ 18,609	8.00%	$ 24,424	10.50%	$ 23,261	10.00%
Tier 1 (core) capital to risk weighted assets	34,130	14.67%	13,957	6.00%	19,772	8.50%	18,609	8.00%
Common Tier 1 (CET1)	34,130	14.67%	10,468	4.50%	16,283	7.00%	15,120	6.50%
Tier 1 (core) capital to average assets	34,130	11.31%	12,073	4.00%	12,073	4.00%	15,091	5.00%

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
TXRB Holdings, Inc. and Subsidiary
Frisco, Texas

We have audited the consolidated financial statements of TXRB Holdings, Inc. and Subsidiary as of and for the year ended December 31, 2020, and have issued our report thereon dated April 13, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 31 and 32 is presented for the purpose 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.

Payne & Smith, LLC

April 13, 2021

12240 Inwood Rd. • Suite 440 • Dallas, TX 75244 •214 / 363-9927• Fax 214 / 363-9980

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidating Balance Sheet

December 31, 2020

(In thousands of dollars)

	TXRB Holdings, Inc.	Texas Republic Bank	Eliminations		Consolidated
ASSETS					
Cash and cash equivalents	$ 549	$ 79,913	$ (549)	(1)	$ 79,913
Investment in subsidiary	40,510	-	(40,510)	(2)	-
Loans held for sale	-	1,451	-		1,451
Loans held for investment, net	216	275,961	-		276,177
Bank premises and equipment, net	-	859	-		859
Core deposit intangible	-	25	-		25
Goodwill	-	1,092	-		1,092
Other assets	72	5,316	-		5,388
	$ 41,347	$ 364,617	$ (41,059)		$ 364,905
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Noninterest bearing	$ -	$ 83,581	$ (549)	(1)	$ 83,032
Interest bearing	-	204,138	-		204,138
Total deposits	-	287,719	(549)		287,170
Other borrowings	3,900	35,256	-		39,156
Other liabilities	8	1,132	-		1,140
Commitments and contigencies	-	-	-		-
Stockholders' equity:					
Common stock	1,641	125	(125)	(2)	1,641
Capital surplus	14,888	17,895	(17,895)	(2)	14,888
Retained earnings	20,950	22,490	(22,490)	(2)	20,950
Treasury stock, at cost	(40)	-	-		(40)
Total stockholders' equity	37,439	40,510	(40,510)		37,439
	$ 41,347	$ 364,617	$ (41,059)		$ 364,905

See description of consolidating entries on page 33 and accompanying independent auditor's report on additional information

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidating Statement of Income and Comprehensive Income

For the Year ended December 31, 2020

(In thousands of dollars)

	TXRB Holdings, Inc.	Texas Republic Bank	Eliminations		Consolidated
Interest income:					
Interest and fees on loans	$ 12	$ 17,659	$ -		$ 17,671
Interest on deposits in other banks	-	257	-		257
Other	-	65	-		65
Total interest income	12	17,981	-		17,993
Interest expense:					
Interest on deposit accounts	-	2,261	-		2,261
Interest on borrowings	190	752	-		942
Total interest expense	190	3,013	-		3,203
Net interest income	(178)	14,968	-		14,790
Provision for loan losses	-	583	-		583
Net interest income after provision for loan losses	(178)	14,385	-		14,207
Noninterest income:					
Service charges on deposit accounts	-	217	-		217
Net income from subsidiary	5,232	-	(5,232)	(3)	-
Bank card and credit card interchange fees	-	209	-		209
Net gain on sale of loans held for sale	-	485	-		485
Net gain on sale of other real estate owned	-	113	-		113
Other	-	79	-		79
Total noninterest income	5,232	1,103	(5,232)		1,103
Noninterest expense:					
Salaries and employee benefits	3	5,693	-		5,696
Occupancy expense	-	681	-		681
Data processing expense	-	787	-		787
Regulatory exam expense	-	277	-		277
Loan administration expense	-	276	-		276
Other	10	1,148	-		1,158
Total noninterest expense	13	8,862	-		8,875
Income before income tax (benefit) expense	5,041	6,626	(5,232)		6,435
Income tax (benefit) expense	(40)	1,394	-		1,354
Net income	5,081	5,232	(5,232)		5,081
Other comprehensive income	-	-	-		-
Total comprehensive income	$ 5,081	$ 5,232	$ (5,232)		$ 5,081

See description of consolidating entries on page 33 and accompanying independent auditor's report on additional information

TXRB HOLDINGS, INC. AND SUBSIDIARY

Description of Consolidating Entries

For the Year Ended December 31, 2020

(1) To eliminate intercompany cash and deposits.

(2) To eliminate the Company's investment account against the stockholder's equity accounts of the subsidiary.

(3) To eliminate the net income of the subsidiary.

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