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, Jeffery S. Sinnott
Name of the Holding Company Director and Official

Director, President & CEO
Title of the Holding Company Director and Official

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

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

03/30/2021
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

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

December 31, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

VBT Financial Corporation
Legal Title of Holding Company

45 N.E. Loop 410, Suite 500
(Mailing Address of the Holding Company) Street / P.O. Box

San Antonio	Texas	78216
City	State	Zip Code

Same as mailing address
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Phil L. Lesh	Treasurer
Name	Title

210-408-5769
Area Code / Phone Number / Extension

N/A
Area Code / FAX Number

Phil.Lesh@Vantage.Bank
E-mail Address

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

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

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

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

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

For Use By Tiered Holding Companies

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

Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

Physical Location (if different from mailing address)

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Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

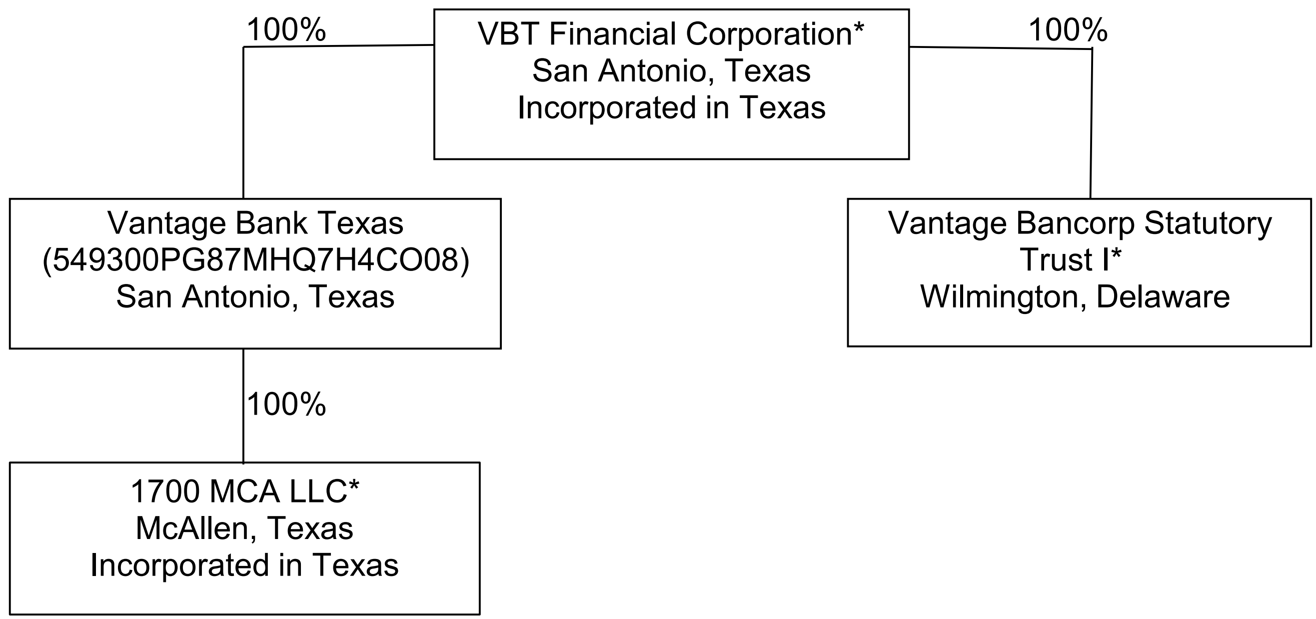
Physical Location (if different from mailing address)

Form FR-Y6

VBT Financial Corporation
San Antonio, Texas
Fiscal Year Ending December 31, 2020

1: The bank holding company prepares an annual report for its shareholders. The report to shareholders dated March 16, 2021 is included with the FR-Y6 report.

2a: Organizational Chart



* Does not have a Legal Entity Identifier (LEI) number.

Form FR-Y6

VBT Financial Corporation
San Antonio, Texas
Fiscal Year Ending December 31, 2020

2b. Domestic Branch Listing

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

See Attached List

Results: A list of branches for your depository institution: VANTAGE BANK TEXAS (ID_RSSD: 26765).
This depository institution is held by VBT FINANCIAL CORPORATION (5278381) of SAN ANTONIO, 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)	26765	VANTAGE BANK TEXAS	45 NE LOOP 410, SUITE 500	SAN ANTONIO	TX	78216	BEXAR	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3742628	BROWNSVILLE BRANCH	1785 RUBEN M. TORRES BLVD.	BROWNSVILLE	TX	78521	CAMERON	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	2995379	EDINBURG BRANCH	1502 S SUGAR RD	EDINBURG	TX	78539	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3542921	EL PASO EAST BRANCH	2828 NORTH LEE TREVINO	EL PASO	TX	79936	EL PASO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3376911	EL PASO MAIN BRANCH	175 EAST ARIZONA	EL PASO	TX	79902	EL PASO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3542912	EL PASO WEST BRANCH	125 SHADOW MOUNTAIN DR	EL PASO	TX	79912	EL PASO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	5538320	CAMP BOWIE BRANCH	4520 CAMP BOWIE BOULEVARD	FORT WORTH	TX	76107	TARRANT	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	5401433	FORT WORTH CLUB BRANCH	777 TAYLOR STREET SUITE 902	FORT WORTH	TX	76102	TARRANT	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	1457049	HONDO BRANCH	1401 19TH STREET	HONDO	TX	78861	MEDINA	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	5006687	I-35 BRANCH	4819 SAN DARIO AVENUE	LAREDO	TX	78041	WEBB	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3749186	LAREDO BRANCH	7219 MCPHERSON ROAD	LAREDO	TX	78041	WEBB	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3295142	EXPRESS BRANCH	1700 S 10TH, SUITE 100	MCALLEN	TX	78503	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	1879098	MCALLEN BRANCH	1705 NORTH 23RD STREET	MCALLEN	TX	78501	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	4104698	MCALLEN BRANCH	901 SOUTH 10TH STREET, BUILDING 400	MCALLEN	TX	78501	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	894553	MCALLEN MAIN BRANCH	1801 S 2ND ST	MCALLEN	TX	78503	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	2995351	NORTH MCALLEN BRANCH	730 W NOLANA	MCALLEN	TX	78504	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3295133	NORTH MCCOLL BRANCH	1524 N MCCOLL, SUITE 100	MCALLEN	TX	78501	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	1879100	MISSION BRANCH	713 EAST TOM LANDRY DRIVE	MISSION	TX	78572	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3542949	PLANTATION GROVE BRANCH	3605 PLANTATION GROVE	MISSION	TX	78572	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3589766	SHARY EXPRESS #3 BRANCH	2401 E EXPRESSWAY 83	MISSION	TX	78572	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	2995360	SHARYLAND BRANCH	1926 E GRIFFIN PARKWAY	MISSION	TX	78572	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3808029	REFUGIO BRANCH	111 EAST PLASUELA	REFUGIO	TX	78377	REFUGIO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	3799471	STONE OAK BRANCH	18730 TUSCANY STONE	SAN ANTONIO	TX	78258	BEXAR	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	
OK		Full Service	289065	WESLACO BRANCH	400 NORTH TEXAS BOULEVARD	WESLACO	TX	78596	HIDALGO	UNITED STATES	Not Required	Not Required	VANTAGE BANK TEXAS	26765	

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VBT Financial Corporation
San Antonio, Texas
Fiscal Year Ending December 31, 2020

3 (1). Securities Holders
Current Shareholders with ownership, control or holdings of 5% of more with power to vote as of fiscal year ending 12/31/2020

(1)(a) Name&Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c.) Number and Percentage of Each Class of Voting Securities	
VANCO Trust #1B James W. Collins - Trustee McAllen, TX, USA	USA	7,102,066.19	16.77% Common Stock
VANCO Trust #1A James W. Collins - Trustee McAllen, TX, USA	USA	6,076,436.22	14.35% Common Stock
VANCO Trust #1C James W. Collins - Trustee McAllen, TX, USA	USA	6,019,795.72	14.22% Common Stock
VANCO Trust #1D James W. Collins - Trustee McAllen, TX, USA	USA	6,019,795.72	14.22% Common Stock
VANCO Trust #1E James W. Collins - Trustee McAllen, TX, USA	USA	6,019,795.72	14.22% Common Stock
VANCO Trust #2B James W. Collins - Trustee McAllen, TX, USA	USA	2,554,417.93	6.03% Common Stock
VANCO Trust #3A James W. Collins - Trustee McAllen, TX, USA	USA	1,615,805.50	3.82% Common Stock
VANCO Trust #3B James W. Collins - Trustee McAllen, TX, USA	USA	1,615,805.50	3.82% Common Stock
VANCO Trust #3C James W. Collins - Trustee McAllen, TX, USA	USA	1,615,805.50	3.82% Common Stock
VANCO Trust #3D James W. Collins - Trustee McAllen, TX, USA	USA	1,615,805.50	3.82% Common Stock
VANCO Trust #2A James W. Collins - Trustee McAllen, TX, USA	USA	1,042,350.89	2.46% Common Stock
Vannie Cook Trust #5 James W. Collins - Trustee McAllen, TX, USA	USA	337,140.15	0.79% Common Stock
Mayfair Private Trust for 2017 McCullick Fam Trust James W. Collins - Trustee McAllen, TX, USA	USA	253,824.51	0.60% Common Stock
Stone, Jennifer and Tyler Familial Relationship with James W. Collins McAllen, TX, USA	USA	221,877.59	0.52% Common Stock
Vannie Cook Trust #7 James W. Collins - Trustee McAllen, TX, USA	USA	85,575.78	0.20% Common Stock
Vannie Cook Trust #6 James W. Collins - Trustee McAllen, TX, USA	USA	43,135.84	0.10% Common Stock
Vannie Cook Trust #1 James W. Collins - Trustee McAllen, TX, USA	USA	24,539.83	0.06% Common Stock
James W. Collins McAllen, TX, USA	USA	8,757.83	0.02% Common Stock

Note: James W. Collins has a total of 42,272,731.92 voting shares which make up 99.84% of the total numer of voting shares.

3 (2). N/A

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San Antonio, Texas
Fiscal Year Ending December 31, 2020

4. Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with Bank Holding Company	(3)(a) Title & Position with Bank 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 Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (Including Subsidiary Name)	(4)(c.) List names of other companies if 25% or more voting securities are held (List names of companies and percentage of voting securities held)
James W. Collins McAllen, Texas, USA	Investor	Director & Chairman of the Board	Director & Chairman of the Board (Vantage Bank Texas)	Attached	99.84%	None	Attached
Rafael G. Garza Fort Worth, Texas, USA	Investment Professional	Director & Vice Chairman	Director & Vice Chairman (Vantage Bank Texas)	Sole Member RGG Capital, LLC	N/A	None	RGG Capital, LLC (100%)
				Managing Director Bravo Equity, LP		None	Bravo Equity, LP (60%)
				President RGG Capital Partners, LLC		None	RGG Capital Partners, LLC (100%)
				Sole Member La Palma Management Company, LLC		None	La Palma Management Company LLC (100%)
				President Bravo Opportunity, LLC		None	Bravo Opportunity, LLC (50%)
				Sole Member RG-MTG Partners GENPAR, LLC		None	RG-MTG Partners GENPAR, LLC (100%)
				Managing Director Bravo Equity Partners II, LP		None	N/A
				Director Atmos Energy Corporation		None	N/A
				Managing Partner RG-MTG Partners, LP		None	N/A
				Member of the Board of Trustees Texas Christin University		None	N/A
				Member of the Board of Trustees Modern Art Museum of Fort Worth		None	N/A
				Member of the Board of Trustees Fort Worth Art Association Endowment Foundation		None	N/A
				Member of the Board of Trustees Baylor Scott & White Hospitals Holdings		None	N/A
				President Avante Career Educational Services, Inc.		None	N/A
				President Pequeno Mexico Operating Company, Inc.		None	N/A
				President Bravo Lonestar Entertainment, LLC		None	N/A
				President Bravo Pizzas Houston, LLC		None	N/A

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VBT Financial Corporation
San Antonio, Texas
Fiscal Year Ending December 31, 2020

4. Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with Bank Holding Company	(3)(a) Title & Position with Bank 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 Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (Including Subsidiary Name)	(4)(c.) List names of other companies if 25% or more voting securities are held (List names of companies and percentage of voting securities held)
				President Global eFactory, LLC		None	N/A
				President Plaza Financial Services, Inc.		None	N/A
Jeffery S. Sinnott Fort Worth, Texas, USA	N/A	Director, President & CEO	Director & President & CEO (Vantage Bank Texas)	None	N/A	None	N/A
			CEO (1700 MCA, LLC)	N/A	N/A	None	N/A
Will Collins San Antonio, Texas, USA	Real Estate Services	Director	Director (Vantage Bank Texas)	Managing Member of General Partner Liam Investments, Ltd	N/A	None	Liam Investments, Ltd (100%)
				Managing Member of General Partner Liam Acquisitions, LLC		None	Liam Acquisitions, LLC (100%)
				Managing Member of General Partner Terracor RE, Ltd		None	Terracor RE, Ltd (100%)
				Managing Member Liam Interests, LLC		None	Liam Interests, LLC (100%)
				Managing Member of General Partner Weslaco-Bridge Avenue, Ltd		None	Weslaco-Bridge Avenue, Ltd (50%)
				Managing Member of General Partner Expressway McColl, Ltd		None	Expressway McColl, Ltd (25%)
				Managing Member of General Partner Shops at 493 - Lot 9, Ltd		None	Shops at 493 - Lot 9, Ltd (100%)
				Managing Member of General Partner Shops at Chavez - Lot 1, Ltd		None	Shops at Chavez - Lot 1, Ltd (100%)
				Managing Member of General Partner Shops At Chavez - Lot 5, Ltd		None	Shops At Chavez - Lot 5, Ltd (100%)
				Managing Member of General Partner Shops at 493-Lot 2, Ltd		None	Shop at 493-Lot 2, Ltd (50%)
				Managing Member of General Partner Trenton Partners, Ltd		None	Trenton Partners, Ltd (50%)
				Managing Member Trenton Commerce Center, LLC		None	Trenton Commerce Center, LLC (50%)
				Managing Member of General Partner Jackson-Houston East SANB, Ltd		None	Jackson-Houston East SANB, Ltd (25%)

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San Antonio, Texas
Fiscal Year Ending December 31, 2020

4. Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with Bank Holding Company	(3)(a) Title & Position with Bank 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 Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (Including Subsidiary Name)	(4)(c.) List names of other companies if 25% or more voting securities are held (List names of companies and percentage of voting securities held)
				Managing Member of General Partner Ponderosa Retail 2, Ltd		None	Ponderosa Retail 2, Ltd (25%)
				Member TIA (P&C) LLC		None	N/A
				Managing Member of General Partner Shops AT 29, Ltd		None	N/A
				Managing Member CGM Interests, LLC		None	N/A
				Member TIA Group, LLC		None	N/A
Vannie C. Collins McAllen, Texas, USA	Investor	Director	Director (Vantage Bank Texas)	Member Julia B Collins Design, LLC	N/A	None	Julia B Collins Design, LLC (50%)
				Officer of GP LLI 2014 Partnership, LP		None	LLI 2014 Partnership, LP (50%)
				Member LLI-GP 2014 Partnership, LLC		None	LLI-GP 2014 Partnership, LLC (50%)
				Officer of GP VCC Consulting, LP		None	VCC Consulting, LP (50%)
				Member VCC-GP Management, LLC		None	VCC-GP Management, LLC (50%)
				Manager VCC Executive Management Services, LLC		None	VCC Executive Management Services, LLC (50%)
				Manager VGR Research Partners, LLC		None	VGR Research Partners, LLC (33%)
				Officer C-M Ranches, Inc.		None	N/A
				Officer of GP San Felipe Outfitters, LP		None	N/A
Tyler D. Stone McAllen, Texas, USA	Investor	Director	Director (Vantage Bank Texas)	Attached	N/A	None	Attached
Robert J. Morehead McAllen, Texas, USA	CPA	Director	Director (Vantage Bank Texas)	Attached	0.12%	None	Attached
Rob McClane San Antonio, Texas, USA	Investment Professional	N/A	Director (Vantage Bank Texas)	None	N/A	None	N/A

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VBT Financial Corporation
San Antonio, Texas
Fiscal Year Ending December 31, 2020

4. Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with Bank Holding Company	(3)(a) Title & Position with Bank 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 Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (Including Subsidiary Name)	(4)(c.) List names of other companies if 25% or more voting securities are held (List names of companies and percentage of voting securities held)
Michael Kiolbassa San Antonio, Texas, USA	Food Manufacturing & Distribution	N/A	Director (Vantage Bank Texas)	President & CEO Kiolbassa Provision Company, Inc.	N/A	None	Kiolbassa Provision Company, Inc. (38%)
Phil L. Lesh San Antonio, Texas, USA	N/A	Treasurer	EVP & Chief Financial Officer (Vantage Bank Texas)	None	N/A	None	N/A
Patty Terry San Antonio, Texas, USA	N/A	Secretary & Administrative Officer and Registered Agent	EVP & Chief Administrative Officer (Vantage Bank Texas)	None	N/A	None	N/A

James W. Collins Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Collins**	**4.(4)(c.) Ownership**
2008 CCT-MF, Ltd.	Officer of GP	100%
480 Ranch, Ltd.	Officer of GP	100%
495 Commerce Center Partners, Ltd.	Officer of GP	45%
495 Lakeview Properties, Ltd.	Officer of GP	91%
495 McColl Partners, Ltd.	Officer of GP	87%
495 Partners, LLC	Officer of Manager	45%
495 Service Center Partners 1, LP	None	50%
83/77 CB, Ltd.	Officer of GP	50%
83/77 Dixie East, Ltd.	Officer of GP	50%
83/77 GP, LLC	Officer of Member	50%
83/77 Properties, Ltd.	Officer of GP	50%
83-Westgate, Ltd.	Officer of GP	94%
96-Bell, Ltd.	Officer of GP	99%
Administadora de Pizzerias	None	50%
AIM Media Texas LLC	Officer of Member	N/A
ANG Partners, Ltd.	Officer of GP	100%
Bandera-Lakeshore Properties, Ltd.	Officer of GP	100%
Bandera RGV Partners, Ltd.	Officer of GP	100%
Banprop, L.L.C.	Officer of Manager	92%
Bentsen Expressway Partners, Ltd.	Officer of GP	100%
Bentsen Lakes, LP	Officer of GP	100%
Border Amusements, Ltd	Officer of GP	67%
Wildcat Royalty Corporation	Officer of Shareholder	49%
Cal-Roy Investors, Ltd.	Officer of GP	100%
Cameron Crossing RGV, Ltd.	Officer of GP	100%
Cash Ilimitado, S. de R.L. de C.V.	None	50%
Cash Presto, SA de CV	None	50%
CCGR, Ltd.	Officer of GP	100%
Chasem 2, Ltd.	Officer of GP	100%
C-Inv, Ltd.	Officer of GP	100%
C-M Ranches, Inc.	Director & Chairman	40%
CMT-MF, Ltd.	Officer of GP	100%
CMT-OG, Ltd.	Officer of GP	100%
CMT-Stock, Ltd.	Officer of GP	100%
Colco Corp.	President	100%
Collins Executive Management Services, LLC	Manager	100%
Collins Oklahoma Minerals	Manager	50%
Commerce Financial Corporation	Officer of Shareholder	N/A
Conway Partners, Ltd.	Officer of GP	50%
Cook Valley Motors, Ltd.	Officer of GP	100%
Cook SA Motors, Ltd.	Officer of GP	100%
Copizza, S. de R.L. de C.V.	None	50%
CR Properties, Ltd.	Officer of GP	100%
CS Auto Real Property, Ltd.	Officer of Partner	50%
CS Auto San Juan Property, Ltd.	Officer of Partner	50%
CS Auto, Ltd.	Officer of Partner	50%
CS Automart, Ltd.	Officer of Partner	50%

James W. Collins Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Collins**	**4.(4)(c.) Ownership**
CS Auto FI SVC Reinsuance Company, Inc.	LP	32%
CVN Investors, Ltd.	Officer of GP	100%
DDSRES, Ltd.	Officer of GP	100%
Dessarrollo Inmobilario Rio Grande, SA de CV	None	50%
Dickinson Partners, Ltd.	Officer of GP	100%
Donna 493 Joint Venture	Officer of Partner	50%
Donna Retail Investors, Ltd.	Officer of GP	100%
Duvon-McColl Properties, Ltd.	Officer of GP	100%
Duvon-Tamarack Properties, Ltd.	Officer of GP	100%
DWS Partners, Ltd.	Officer of GP	100%
EA Title Investors, Ltd.	Officer of GP	89%
Edwards Abstract and Title, LLC	None	69%
Expressway-McColl, Ltd.	Officer of Partner	75%
Expwy 29th Properties, Ltd.	Officer of GP	100%
Expwy-1015 Partners, Ltd.	Officer of GP	100%
Expwy-Fresno Partners, Ltd.	Officer of GP	100%
Govwhiz, Inc.	Officer of Member	N/A
GWVR, Ltd.	Officer of GP	100%
Harlingen 1208 Expwy Partners, Ltd.	Officer of GP	100%
Harlingen 5102 Expwy Partners, Ltd.	Officer of GP	100%
HGN Loop 499, Ltd.	Officer of GP	100%
HIC Texas I LLC	Officer of Member	94%
HIC Texas II LLC	Officer of Member	96%
Hidalgo and Cameron Counties Data, LLC	None	68%
Hidalgo and Cameron Co's Tax Info & Delivery, LLC	None	68%
Hwy 90 Castroville Partners, Ltd.	Officer of GP	100%
INB Properties II Paseo, Ltd.	Officer of GP	57%
Jackson-Houston East SANB, Ltd.	Officer of Partner	75%
Jackson-Houston East, Ltd.	Officer of GP	100%
Jackson-Houston West, Ltd.	Officer of GP	100%
JBWW Management Co.	Director	25%
JBWW, Ltd.	Director of GP	25%
JBWW-MGCS, Ltd.	Director of GP	25%
JBWW-MGV, Ltd.	Director of GP	25%
JBWW-MGVB, Ltd.	Director of GP	25%
JBWW-MGVH, Ltd.	Director of GP	25%
JCKC, LLC	Member	100%
JH/JC, LLC	None	68%
JWCCV, Ltd.	Manager of GP	100%
K & C Properties	None	50%
KCC Interests, Ltd.	Officer of GP	N/A
Kelsey Ranch Partners, Ltd.	Officer of GP	100%
La Reserva Phase I, Ltd.	Officer of GP	71%
Las Islas Management, LP	Officer of GP	100%
Las Islas Ranch, LP	Officer of GP	N/A
Las Tiendas Plaza Partnership, Ltd.	Officer of GP	100%
LOCO Management Co., LLC	None	50%

James W. Collins Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Collins**	**4.(4)(c.) Ownership**
LTC Properties, Ltd.	Officer of GP	100%
Mayfair Properties, LLC	President	100%
Mayfair Private Trust Company	Director	100%
MCA Govwhiz, Ltd.	Officer of GP	100%
MCA Geek Investors III, Ltd.	Officer of GP	100%
MCA Helius, Ltd.	Officer of GP	100%
McAllen Altamira, Ltd.	Officer of GP	100%
McAllen Aspen Restaurant Investors Ltd	Officer of GP	100%
McAllen Commerce Financial, Ltd.	Officer of GP	100%
McAllen CoPizza Partners, Ltd.	Officer of GP	100%
McAllen Midstream Partners, Ltd.	Officer of GP	100%
McAllen Lubys Partners, Ltd.	Officer of GP	100%
McAllen Potranco, Ltd.	Officer of GP	99%
McAllen Quail Creek Partners, Ltd.	Officer of GP	100%
McAllen Retirement Partners, Ltd.	Officer of GP	100%
McAllen Sherwood Forest, Ltd.	Officer of GP	100%
McColl-Fern, Ltd.	Officer of GP	100%
McColl-Houston Properties, Ltd.	Officer of GP	100%
McColl-Nolana, Ltd.	Officer of GP	100%
McColl-Vermont IV, Ltd.	Officer of GP	100%
McColl-Vermont, Ltd.	Officer of GP	97%
McCook Properties, Ltd.	Officer of GP	100%
MFO-GP, LLC	Officer	100%
MG Valley, Ltd.	Officer of LP	N/A
MG-Christi, Ltd.	Officer of LP	69%
Mission 495 Conway, Ltd.	Officer of GP	100%
MRR Services Company, LLC	Officer	100%
MRR-GP, LLC	Officer	100%
MTZ-OG, Inc.	Officer	100%
Montana Land and Exploration, Inc.	Officer	100%
Nolana-29th Partners, Ltd.	Officer of GP	100%
North Las Islas, Ltd.	Officer of GP	100%
Northcross, Ltd.	Officer of GP	100%
OB Partners, LLC	Officer of Member	100%
Palau Pacific Energy Inc.	Director	75%
Palau Pacific Energy, Ltd. (fka C-General 1, Ltd)	Officer of GP	72%
Pecan Office Properties, Ltd.	Officer of GP	100%
Ponderosa Investors, Ltd.	Officer of GP	100%
Ponderosa Retail 2, Ltd.	Officer of Partner	75%
Ponderosa Retail, Ltd.	Officer of GP	100%
Presta Tax Loans, LP	Officer of GP	100%
PSREA, Ltd.	Officer of GP	100%
PSREH, Ltd.	Officer of GP	100%
PSRGV, Ltd.	Officer of GP	100%
Quail Creek Crossing, Ltd.	None	50%
R & H Pizza Properties, Ltd.	Manager of GP	95%
Retail Amusements, Ltd.	Officer of GP	100%

James W. Collins
Related Business Interests
As of December 31, 2020

4.(3)(c.) and 4.(4)(c.) Business Name	4.(3)(c.) Position Held By Collins	4.(4)(c.) Ownership
Retail Mexico Investors, Ltd.	Officer of GP	100%
RGC Starr Plaza, Ltd.	Officer of GP	99%
RGV Hill Country Title Investors, LLC	Officer of Member	33%
RGV Nexlube, Ltd.	Officer of GP	100%
RGV Next Capital, Ltd.	Officer of GP	100%
RGV Techstars, Ltd.	Officer of GP	100%
Ridge-Sharyland Partners I, LP	Officer of GP	100%
Ridge-Sharyland Partners VI, LP	Officer of GP	100%
Rio Mortgage Co.	CEO	100%
Rioco Corp.	CEO	100%
Rioco Partners, Ltd.	Officer of GP	100%
Riocom 2, Ltd.	Officer of GP	100%
Rioco-Cersi, Ltd.	Officer of GP	100%
Riofair Partners, Ltd.	Officer of GP	100%
Rioco Real Estate Services, LLC	Member	100%
RM Manhattan, LLC	Officer of Member	88%
Rosenberg Business Park, Ltd.	Officer of Partner	93%
RYF, Ltd.	Officer of GP	100%
S. 10th Street Investors, Ltd.	Officer of GP	94%
S. 10th-2nd Partners, Ltd.	Officer of GP	100%
SA Dove Creek, Ltd.	Partner	50%
SA Dove Creek Highlands, Ltd.	Partner	50%
SA Dove Creek Oaks, Ltd.	Partner	50%
SA Dove Creek Ranch, Ltd.	Partner	50%
SA Miers, Ltd.	Officer of GP	100%
San Felipe Outfitters, LP	Officer of GP	100%
San Felipe Ranch, LP	Officer of GP	100%
Savannah Studio Partnership, Ltd.	Officer of GP	48%
Shary-Expressway II, Ltd.	Officer of GP	100%
Shary-Expressway North, Ltd.	Officer of GP	100%
Shary-Expressway South, Ltd.	Officer of GP	100%
Sharyland Medical Management, LLC	Officer of Partner	38%
Sherwood Forest, LLC	None	50%
Shops at 29, Ltd.	Officer of Partner	58%
Shops at Nolana-Lot 1, Ltd.	Officer of Partner	100%
SLT McAllen Properties, LLC	None	68%
SLT Mission Properties, LLC	None	68%
SMRP, Ltd.	Officer of GP	100%
Southeast Las Islas Ranch, LP	Officer of GP	100%
Southwest Bancshares, Inc.	Officer of Shareholder	N/A
ST Real Estate Investors, LLC	None	68%
Summer Creek Partners, Ltd.	Officer of GP	100%
Summer Creek Station, LLC	None	79%
SWB Partners, Ltd.	Officer of GP	100%
Tequesta, Ltd.	Officer of GP	100%
Texas Hill Country Bank	Officer of Shareholder	N/A
Texas Investors Title, LLC	Officer of Member	N/A

James W. Collins Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Collins**	**4.(4)(c.) Ownership**
Texas Next Capital, LP	Partner	N/A
The Cloud Power Seedfund, LP	Partner	N/A
Trenton Investors, Ltd.	Officer of GP	100%
Valley Auto Motor Sales, Ltd.	Officer of Partner	50%
Valley Geek Investors, Ltd.	Officer of GP	92%
Valley Waste Partners, Ltd.	Officer of GP	100%
Vanco MF No. 1A-1E, Ltd.	Officer of GP	100%
Vanco-MF, Ltd.	Officer of GP	100%
Vanco-OG, Ltd.	Officer of GP	100%
Vanco-Stock No. 1A-1E, Ltd.	Officer of GP	100%
Vanco-Stock, Ltd.	Officer of GP	100%
Vantage Property Partners, Ltd.	Officer of GP	99%
VCT-General, Ltd.	Officer of GP	100%
VCT-MF, Ltd.	Officer of GP	100%
VCT-OG, Ltd.	Officer of GP	100%
VCT-Stock No 1, Ltd.	Officer of GP	100%
VCT-Stock No 2, Ltd.	Officer of GP	100%
VCT-Stock No 5, Ltd.	Officer of GP	100%
VCT-Stock No 6, Ltd.	Officer of GP	100%
VCT-Stock No 7, Ltd.	Officer of GP	100%
VCT7-OG, Ltd.	Officer of GP	100%
Ware Expwy Partners, Ltd.	Officer of GP	100%
Weingarten 1815 S. 10th Street JV	Officer of Partner	50%
Weingarten Las Tiendas JV	Officer of Partner	50%
Weingarten Nolana JV	Officer of Partner	50%
Weingarten Shary Crossing JV	Officer of Partner	50%
Weingarten Shary North JV	Officer of Partner	50%
Weingarten Shary South JV	Officer of Partner	50%
Weingarten Tenth-Jackson West, JV	Officer of Partner	50%
Weingarten-Northcross JV	Officer of Partner	50%
Windmeadows Investors, Ltd.	Officer of GP	100%

*** The foregoing list of entities was prepared from available records and is believed to be a complete list of entities in which James W. Collins has interest. Any Additions or changes will be made promptly upon discovery of any discrepancies.***

Tyler Stone Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	4.(3)(c.) Position Held By Stone	4.(4)(c.) Ownership
2008 CCT-MF, Ltd.	Officer of GP	N/A
480 Ranch, Ltd.	Officer of GP	N/A
495 Commerce Center Partners, Ltd.	Officer of GP	N/A
495 Lakeview Properties, Ltd.	Officer of GP	N/A
495 McColl Partners, Ltd.	Officer of GP	N/A
495 Partners, LLC	Officer of Manager	N/A
495 Service Center Partners 1, LP	Officer of GP	N/A
83-Westgate, Ltd.	Officer of GP	N/A
96-Bell, Ltd.	Officer of GP	N/A
717 Brownsville Properties, Ltd.	Officer of GP	N/A
ANG Partners, Ltd.	Officer of GP	N/A
Bandera-Lakeshore Properties, Ltd.	Officer of GP	N/A
Bandera RGV Partners, LTD.	Officer of GP	N/A
Banprop, L.L.C.	Officer of Manager	N/A
Bentsen-Expressway Partners, Ltd.	Officer of GP	N/A
Bentsen Lakes, LP	Officer of GP	N/A
Border Amusements, Ltd	Officer of GP	N/A
Cal-Roy Investors, Ltd.	Officer of GP	N/A
Cameron Crossing RGV, Ltd.	Officer of GP	N/A
CCGR, Ltd.	Officer of GP	N/A
Chasem 2, Ltd.	Officer of GP	N/A
C-Longleaf Intl, Ltd.	Officer of GP	N/A
CMT-MF, Ltd.	Officer of GP	N/A
CMT-OG, Ltd.	Officer of GP	N/A
CMT-Stock, Ltd.	Officer of GP	N/A
Conway Partners, Ltd.	Officer of GP	N/A
Cook Valley Motors, Ltd.	Officer of GP	N/A
Cook SA Motors, Ltd.	Officer of GP	N/A
CR Properties, Ltd.	Officer of GP	N/A
CS Auto FI SVC Reinsurance Company, Inc.	LP	N/A
CVN Investors, Ltd.	Officer of GP	N/A
DDSRES, Ltd.	Officer of GP	N/A
Dickinson Partners, Ltd.	Officer of GP	N/A
Donna Retail Investors, Ltd.	Officer of GP	N/A
Duvon-McColl Properties, Ltd.	Officer of GP	N/A
Duvon-Tamarack Properties, Ltd.	Officer of GP	N/A
DWS Partners, Ltd.	Officer of GP	N/A
EA Title Investors, Ltd.	Officer of GP	N/A
Expwy-29th Partners, Ltd.	Officer of GP	N/A
Expwy-1015 Partners, Ltd.	Officer of GP	N/A
Expwy-Fresno Partners, Ltd.	Officer of GP	N/A
GWVR, Ltd.	Officer of GP	N/A
Harlingen 1208 Expwy Partners, Ltd.	Officer of GP	N/A
Harlingen 5102 Expwy Partners, Ltd.	Officer of GP	N/A
HGN Loop 499, Ltd.	Officer of GP	N/A
HIC Texas I LLC	Officer of Member	N/A
HIC Texas II LLC	Officer of Member	N/A

Tyler Stone Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Stone**	**4.(4)(c.) Ownership**
Hwy 90 Castroville Partners, Ltd.	Officer of GP	N/A
INB Properties II Paseo, Ltd.	Officer of GP	N/A
Jackson-Houston East, Ltd.	Officer of GP	N/A
Jackson-Houston West, Ltd.	Officer of GP	N/A
JCKC, LLC	Officer of Manager	N/A
Kelsey Ranch Partners, Ltd.	Officer of GP	N/A
La Reserva Phase I, Ltd.	Officer of GP	N/A
Las Islas Management, LP	Officer of GP	N/A
Las Islas Ranch, LP	Officer of GP	N/A
Las Tiendas Plaza Partnership, Ltd.	Officer of GP	N/A
LTC Properties, Ltd.	Officer of GP	N/A
Mayfair Properties, LLC	Officer of GP	N/A
MCA Geek Investors III, Ltd.	Officer of GP	N/A
MCA Govwhiz, Ltd.	Officer of GP	N/A
MCA Helius, Ltd.	Officer of GP	N/A
McAllen Aspen Restaurant Investors, Ltd.	Officer of GP	N/A
McAllen Altamira, Ltd.	Officer of GP	N/A
McAllen Commerce Financial, Ltd.	Officer of GP	N/A
McAllen CoPizza Partners, Ltd.	Officer of GP	N/A
McAllen Lubys Partners, Ltd.	Officer of GP	N/A
McAllen Midstream Partners, Ltd.	Officer of GP	N/A
McAllen Pollo Bravo, Ltd.	Officer of GP	N/A
McAllen Potranco, Ltd.	Officer of GP	N/A
McAllen Quail Creek Partners, Ltd.	Officer of GP	N/A
McAllen Retirement Partners, Ltd.	Officer of GP	N/A
McAllen Sherwood Forest, Ltd.	Officer of GP	N/A
McColl-Fern, Ltd.	Officer of GP	N/A
McColl-Houston Properties, Ltd.	Officer of GP	N/A
McColl-Nolana, Ltd.	Officer of GP	N/A
McColl-Vermont IV, Ltd.	Officer of GP	N/A
McColl-Vermont, Ltd.	Officer of GP	N/A
McCook Properties, Ltd.	Officer of GP	N/A
MFO-GP, LLC	Officer	N/A
Mission 495 Conway, Ltd.	Officer of GP	N/A
MRR Services Company, LLC	Officer	N/A
MRR-GP, LLC	Officer	N/A
MTZ-OG, Inc.	Officer	N/A
Nolana-29th Partners, Ltd.	Officer of GP	N/A
North Las Islas, Ltd.	Officer of GP	N/A
Northcross, Ltd.	Officer of GP	N/A
Palau Pacific Energy, Ltd. (fka C-General 1, Ltd)	Officer of GP	N/A
Pecan Office Properties, Ltd.	Officer of GP	N/A
Ponderosa Investors, Ltd.	Officer of GP	N/A
Ponderosa Retail, Ltd.	Officer of GP	N/A
Presta Tax Loans, LP	Officer of GP	N/A
PSREA, Ltd.	Officer of GP	N/A
PSREH, Ltd.	Officer of GP	N/A

Tyler Stone Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Stone**	**4.(4)(c.) Ownership**
PSRGV, Ltd.	Officer of GP	N/A
R & H Pizza Properties, Ltd.	Officer of GP	N/A
Retail Amusements, Ltd.	Officer of GP	N/A
Retail Mexico Investors, Ltd.	Officer of GP	N/A
RGC Starr Plaza, Ltd.	Officer of GP	N/A
RGV Nexlube, Ltd.	Officer of GP	25%
RGV Next Capital, Ltd.	Officer of GP	N/A
RGV Techstars, Ltd.	Officer of GP	N/A
Ridge-Sharyland Partners I, LP	Officer of GP	N/A
Ridge-Sharyland Partners VI, LP	Officer of GP	N/A
Rioco Corp.	Vice President	N/A
Rioco-Cersi, Ltd.	Officer of GP	N/A
Riocom 2, Ltd.	Officer of GP	N/A
Riofair Partners, Ltd.	Officer of GP	N/A
RYF, Ltd.	Officer of GP	N/A
S. 10th Street Investors, Ltd.	Officer of GP	N/A
S. 10th-2nd Partners, Ltd.	Officer of GP	N/A
SA Miers, Ltd.	Officer of GP	N/A
San Felipe Ranch, LP	Officer of GP	N/A
Savannah Studio Partnership, Ltd.	Officer of GP	N/A
Shary-Expressway II, Ltd.	Officer of GP	N/A
Shary-Expressway North, Ltd.	Officer of GP	N/A
Shary-Expressway South, Ltd.	Officer of GP	N/A
Shary-Ridge Industrial, Ltd.	Officer of GP	N/A
SMRP, Ltd.	Officer of GP	N/A
Southeast Las Islas Ranch, LP	Officer of GP	N/A
Summer Creek Partners, Ltd.	Officer of GP	N/A
SWB Partners, Ltd.	Officer of GP	N/A
TJI, LLC	Member	50%
Trenton Investors, Ltd.	Officer of GP	N/A
Valley Geek Investors, Ltd.	Officer of GP	N/A
Valley Waste Partners, Ltd.	Officer of GP	N/A
Vanco MF No. 1A-1E, Ltd.	Officer of GP	N/A
Vanco-MF, Ltd.	Officer of GP	N/A
Vanco-OG, Ltd.	Officer of GP	N/A
Vanco-Stock No. 1A-1E, Ltd.	Officer of GP	N/A
Vanco-Stock, Ltd.	Officer of GP	N/A
Vantage Property Partners, Ltd.	LP	N/A
VCT-General, Ltd.	Officer of GP	N/A
VCT-MF, Ltd.	Officer of GP	N/A
VCT7-OG, Ltd.	Officer of GP	N/A
VCT-OG, Ltd.	Officer of GP	N/A
VCT-Stock No 1, Ltd.	Officer of GP	N/A
VCT-Stock No 2, Ltd.	Officer of GP	N/A
VCT-Stock No 5, Ltd.	Officer of GP	N/A
VCT-Stock No 6, Ltd.	Officer of GP	N/A
VCT-Stock No 7, Ltd.	Officer of GP	N/A

Tyler Stone Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Stone**	**4.(4)(c.) Ownership**
V-Index Funds, Ltd.	Officer of GP	N/A
Ware Expwy Partners, Ltd.	Officer of GP	N/A
Windmeadows Investors, Ltd.	Officer of GP	N/A

*** The foregoing list of entities was prepared from available records and is believed to be a complete list of entities in which Tyler Stone has interest. Any additions or changes will be made promptly upon discovery of any discrepancies.***

Robert J. Morehead Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Morehead**	**4.(4)(c.) Ownership**
2008 CCT-MF, Ltd.	Officer of GP	N/A
480 Ranch, Ltd.	Officer of GP	N/A
495 Commerce Center Partners, Ltd.	Officer of GP	N/A
495 Lakeview Properties, Ltd.	Officer of GP	N/A
495 McColl Partners, Ltd.	Officer of GP	N/A
495 Partners, LLC	Officer of Manager	N/A
495 Service Center Partners 1, LP	Officer of GP	N/A
83-Westgate, Ltd.	Officer of GP	N/A
96-Bell, Ltd.	Officer of GP	N/A
717 Brownsville Properties, Ltd.	Officer of GP	N/A
ANG Partners, Ltd.	Officer of GP	N/A
Bandera-Lakeshore Properties, Ltd.	Officer of GP	N/A
Bandera RGV Partners, LTD.	Officer of GP	N/A
Banprop, L.L.C.	Officer of Manager	N/A
Bentsen-Expressway Partners, Ltd.	Officer of GP	N/A
Bentsen Lakes, LP	Officer of GP	N/A
Border Amusements, Ltd	Officer of GP	N/A
Cal-Roy Investors, Ltd.	Officer of GP	N/A
Cameron Crossing RGV, Ltd.	Officer of GP	N/A
CCGR, Ltd.	Officer of GP	N/A
Chasem 2, Ltd.	Officer of GP	N/A
C-Longleaf Intl, Ltd.	Officer of GP	N/A
C-Inv, Ltd.	Officer of GP	N/A
CMT-MF, Ltd.	Officer of GP	N/A
CMT-OG, Ltd.	Officer of GP	N/A
CMT-Stock, Ltd.	Officer of GP	N/A
Colco Corp.	President	N/A
Conway Partners, Ltd.	Officer of GP	N/A
Cook Valley Motors, Ltd.	Officer of GP	N/A
Cook SA Motors, Ltd.	Officer of GP	N/A
CR Properties, Ltd.	Officer of GP	N/A
CS Auto FI SVC Reinsuance Company, Inc.	LP	N/A
CVN Investors, Ltd.	Officer of GP	N/A
DDSRES, Ltd.	Officer of GP	N/A
Dickinson Partners, Ltd.	Officer of GP	N/A
Donna 493 Joint Venture	Officer of GP	N/A
Donna Retail Investors, Ltd.	Officer of GP	N/A
Duvon-McColl Properties, Ltd.	Officer of GP	N/A
Duvon-Tamarack Properties, Ltd.	Officer of GP	N/A
DWS Partners, Ltd.	Officer of GP	N/A
EA Title Investors, Ltd.	Officer of GP	N/A
EPLNM, LLC	None	N/A
Expwy-29th Partners, Ltd.	Officer of GP	N/A
Expwy-1015 Partners, Ltd.	Officer of GP	N/A
Expwy-Fresno Partners, Ltd.	Officer of GP	N/A
GWVR, Ltd.	Officer of GP	N/A
Harlingen 1208 Expwy Partners, Ltd.	Officer of GP	N/A

Robert J. Morehead Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	4.(3)(c.) Position Held By Morehead	4.(4)(c.) Ownership
Harlingen 5102 Expwy Partners, Ltd.	Officer of GP	N/A
HGN Loop 499, Ltd.	Officer of GP	N/A
HIC Texas I LLC	Officer of Member	N/A
HIC Texas II LLC	Officer of Member	N/A
Hwy 90 Castroville Partners, Ltd.	Officer of GP	N/A
INB Properties II Paseo, Ltd.	Officer of GP	N/A
Jackson-Houston East, Ltd.	Officer of GP	N/A
Jackson-Houston West, Ltd.	Officer of GP	N/A
JCKC, LLC	Officer of Manager	N/A
Kelsey Ranch Partners, Ltd.	Officer of GP	N/A
La Reserva Phase I Ltd.	Officer of GP	N/A
Las Islas Management, LP	Officer of GP	N/A
Las Islas Ranch, LP	Officer of GP	N/A
Las Tiendas Plaza Partnership, Ltd.	Officer of GP	N/A
LTC Properties, Ltd.	Officer of GP	N/A
Mayfair Properties, LLC	President	N/A
Mayfair Private Trust Company	Director	N/A
MCA Geek Investors III, Ltd.	Officer of GP	N/A
MCA Govwhiz, Ltd.	Officer of GP	N/A
MCA Helius, Ltd.	Officer of GP	N/A
McAllen Aspen Restaurant Investors, Ltd.	Officer of GP	N/A
McAllen Altamira, Ltd.	Officer of GP	N/A
McAllen Commerce Financial, Ltd.	Officer of GP	N/A
McAllen CoPizza Partners, Ltd.	Officer of GP	N/A
McAllen Lubys Partners, Ltd.	Officer of GP	N/A
McAllen Midstream Partners, Ltd.	Officer of GP	N/A
McAllen Pollo Bravo, Ltd.	Officer of GP	N/A
McAllen Potranco, Ltd.	Officer of GP	N/A
McAllen Quail Creek Partners, Ltd.	Officer of GP	N/A
McAllen Retirement Partners, Ltd.	Officer of GP	N/A
McAllen Sherwood Forest, Ltd.	Officer of GP	N/A
McColl-Fern, Ltd.	Officer of GP	N/A
McColl-Houston Properties, Ltd.	Officer of GP	N/A
McColl-Nolana, Ltd.	Officer of GP	N/A
McColl-Vermont IV, Ltd.	Officer of GP	N/A
McColl-Vermont, Ltd.	Officer of GP	N/A
McCook Properties, Ltd.	Officer of GP	N/A
MFO-GP LLC	Officer	N/A
Mission 495 Conway, Ltd.	Officer of GP	N/A
Montana Land & Exploration, Inc.	Officer	N/A
MRR Services Company, LLC	Officer	N/A
MRR-GP, LLC	Officer	N/A
MTZ-OG, Inc.	Officer	N/A
Nolana-29th Partners, Ltd.	Officer of GP	N/A
North Las Islas, Ltd.	Officer of GP	N/A
Northcross, Ltd.	Officer of GP	N/A
Palau Pacific Energy, Ltd. (fka C-General 1, Ltd)	Officer of GP	N/A

Robert J. Morehead Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Morehead**	**4.(4)(c.) Ownership**
Pecan Office Properties, Ltd.	Officer of GP	N/A
Ponderosa Investors, Ltd.	Officer of GP	N/A
Ponderosa Retail, Ltd.	Officer of GP	N/A
Presta Tax Loans, LP	Officer of GP	N/A
PSREA, Ltd.	Officer of GP	N/A
PSREH, Ltd.	Officer of GP	N/A
PSRGV, Ltd.	Officer of GP	N/A
R & H Pizza Properties, Ltd.	Officer of GP	N/A
Retail Amusements, Ltd.	Officer of GP	N/A
Retail Mexico Investors, Ltd.	Officer of GP	N/A
RGC Starr Plaza, Ltd.	Officer of GP	N/A
RGV Nexlube, Ltd.	Officer of GP	N/A
RGV Next Capital, Ltd.	Officer of GP	N/A
RGV SA-Capital, Ltd.	Officer of GP	N/A
RGV Techstars, Ltd.	Officer of GP	N/A
Ridge-Sharyland Partners I, LP	Officer of GP	N/A
Ridge-Sharyland Partners VI, LP	Officer of GP	N/A
Rio Mortgage Co.	President	N/A
Rioco Corp.	President	N/A
Rioco-Cersi, Ltd.	Officer of GP	N/A
Rioco Partners, Ltd.	Officer of GP	N/A
Riocom 2, Ltd.	Officer of GP	N/A
Riofair Partners, Ltd.	Officer of GP	N/A
Rioco Real Estate Services, LLC	Officer of Manager	N/A
RYF, Ltd.	Officer of GP	N/A
S. 10th Street Investors, Ltd.	Officer of GP	N/A
S. 10th-2nd Partners, Ltd.	Officer of GP	N/A
SA Miers, Ltd.	Officer of GP	N/A
San Felipe Ranch, LP	Officer of GP	N/A
Savannah Studio Partnership, Ltd.	Officer of GP	N/A
Shary-Expressway II, Ltd.	Officer of GP	N/A
Shary-Expressway North, Ltd.	Officer of GP	N/A
Shary-Expressway South, Ltd.	Officer of GP	N/A
Sharyland Medical Management, LLC	Officer of Manager	N/A
Sharyland Professional Office Partners I, LP	Officer of Manager	N/A
Shary-Ridge Industrial, Ltd.	Officer of GP	N/A
SMM Services, LLC	Member	100%
SMRP, Ltd.	Officer of GP	N/A
Southeast Las Islas Ranch, LP	Officer of GP	N/A
South Texas Financial Reinsurance	Shareholder	N/A
Summer Creek Partners, Ltd.	Officer of GP	N/A
SWB Partners, Ltd.	Officer of GP	N/A
Tequesta, Ltd.	Officer of GP	N/A
Vantage Property Partners, Ltd.	Officer of GP	N/A
VCT-General, Ltd.	Officer of GP	N/A
VCT-MF, Ltd.	Officer of GP	N/A
VCT-OG, Ltd.	Officer of GP	N/A

Robert J. Morehead Related Business Interests As of December 31, 2020		
4.(3)(c.) and 4.(4)(c.) Business Name	**4.(3)(c.) Position Held By Morehead**	**4.(4)(c.) Ownership**
VCT-Stock No 1, Ltd.	Officer of GP	N/A
VCT-Stock No 2, Ltd.	Officer of GP	N/A
VCT-Stock No 5, Ltd.	Officer of GP	N/A
VCT-Stock No 6, Ltd.	Officer of GP	N/A
VCT-Stock No 7, Ltd.	Officer of GP	N/A
Ware Expwy Partners, Ltd.	Officer of GP	N/A
Windmeadows Investors, Ltd.	Officer of GP	N/A

*** The foregoing list of entities was prepared from available records and is believed to be a complete list of entities in which Robert J. Morehead has interest. Any additions or changes will be made promptly upon discovery of any discrepancies.***

VBT Financial Corporation, Inc. and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

Contents

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors and Stockholders
of VBT Financial Corporation, Inc. and Subsidiary

Report on the Consolidated financial statements

We have audited the accompanying consolidated financial statements of VBT Financial Corporation, Inc. and Subsidiary (collectively the "Company") 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 Consolidated financial statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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. 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 VBT Financial Corporation, 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 accordance with accounting principles generally accepted in the United States of America.

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

Reports on Internal Control over Financial Reporting, and on Other Regulatory Requirements

We also have audited in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2021 expressed an unmodified opinion.

In accordance with *Government Auditing Standards*, we have also issued reports dated March 16, 2021 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Payne & Smith, LLC

March 16, 2021

VBT Financial Corporation, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2020 and 2019
(dollars in thousands, except share amounts)

	2020	2019
Assets		
Cash and due from banks	**$ 304,337**	$ 256,489
Securities available for sale	**90,679**	122,014
Securities to be held to maturity	**1,111**	1,223
Equity securities	**-**	578
Restricted equity securities	**9,315**	16,551
Loans held for sale	**1,490**	1,633
Loans held for investment, net of the allowance for loan losses and deferred loan fees of $32,883 and $18,966, respectively	**1,965,388**	1,641,036
Bank premises and equipment, net	**44,852**	42,436
Accrued interest receivable	**5,751**	5,194
Goodwill	**3,454**	3,454
Core deposit intangible	**7,426**	9,173
Other real estate owned	**3,181**	2,922
Cash surrender value of life insurance	**67,173**	65,440
Prepaid expenses and other assets	**4,542**	5,649
	$ 2,508,699	$ 2,173,792
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing	**$ 906,917**	$ 681,110
Interest-bearing	**1,304,547**	1,019,368
Total deposits	**2,211,464**	1,700,478
Junior subordinated debenture	**3,093**	3,093
Short term advances and borrowings	**-**	180,000
Deferred tax liability	**458**	1,614
Accrued interest payable and other liabilities	**9,550**	9,469
Total liabilities	**2,224,565**	1,894,654
Commitments and contingencies	**-**	-
Stockholders' equity:		
Common stock, $0.01 par value; 75,000,000 shares authorized, 42,340,000 shares issued and outstanding	**423**	423
Surplus	**84,418**	84,418
Additional paid-in capital	**208,623**	208,623
Accumulated deficit	**(11,177)**	(14,145)
Accumulated other comprehensive income (loss)	**1,847**	(181)
	284,134	279,138
	$ 2,508,699	**$ 2,173,792**

See notes to consolidated financial statements

VBT Financial Corporation, Inc. and Subsidiary
Consolidated Statements of Income
Years ended December 31, 2020 and 2019
(dollars in thousands)

	2020	2019
Interest income:		
Loans, including fees	**$ 95,675**	$ 87,867
Securities	**1,849**	2,972
Other interest income	**1,812**	5,310
Total interest income	**99,336**	96,149
Interest expense:		
Deposits	**10,995**	13,335
Other	**596**	372
Total interest expense	**11,591**	13,707
Net interest income	**87,745**	82,442
Provision for loan losses	**11,340**	5,932
Net interest income after provision for loan losses	**76,405**	76,510
Noninterest income:		
Service charges and fees	**3,923**	4,579
Foreign exchange	**3,147**	2,595
Bank owned life insurance income	**1,733**	1,678
Other income	**6,448**	7,051
Total noninterest income	**15,251**	15,903
Noninterest expense:		
Salaries and employee benefits	**40,292**	38,282
Data processing	**4,764**	2,840
Advertising and marketing	**330**	594
Occupancy and equipment expense	**6,981**	6,903
Professional fees	**2,380**	2,384
Core deposit intangible amortization	**1,747**	1,747
Other operating expense	**12,266**	10,922
Total noninterest expense	**68,760**	63,672
Income before income taxes	**22,896**	28,741
Federal income tax expense	**-**	5,797
Texas franchise tax expense	**52**	33
Tax benefit arising from S corporation election	**(832)**	-
Total tax (benefit) expense	**(780)**	**5,830**
Net income	**$ 23,676**	$ 22,911

See notes to consolidated financial statements

VBT Financial Corporation Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019
(dollars in thousands)

	2020	2019
Net income	**$ 23,676**	$ 22,911
Other items of comprehensive income:		
Adjustment for net gain on sale of investment securities	**(630)**	(51)
Unrealized holding gain on securities available for sale	**2,706**	3,125
Total other items of comprehensive income	**2,076**	3,074
Comprehensive income before income tax expense (benefit)	**25,752**	25,985
Income tax expense (benefit) related to other items of comprehensive income:		
Adjustment for net gain on sale of investment securities	**-**	(11)
Unrealized holding gain on securities available for sale	**48**	657
Total income tax expense (benefit) related to other items of comprehensive income	**48**	646
Comprehensive income	**$ 25,704**	$ 25,339

See notes to consolidated financial statements

VBT Financial Corporation Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2020 and 2019
(dollars in thousands)

	Common Stock	Surplus	Additional Paid-in Capital	Stock Notes Receivable	(Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
Balance at December 31, 2018	$ 423	84,983	$ 208,623	(62)	$ (19,056)	(2,609)	$ 272,302
Net income	-	-	-	-	22,911	-	22,911
Change in other comprehensive income, net of tax	-	-	-	-	-	2,428	2,428
Dividends paid	-	-	-	-	(18,000)	-	(18,000)
Payment to buy out minority stockholders	-	(503)	-	-	-	-	(503)
Extinquishment of purchased notes	-	(62)	-	62	-	-	-
Balance at December 31, 2019	423	84,418	208,623	-	(14,145)	(181)	279,138
Net income	-	-	-	-	23,676	-	23,676
Change in other comprehensive income, net of tax	-	-	-	-	-	2,028	2,028
Dividends paid	-	-	-	-	(20,708)	-	(20,708)
Balance at December 31, 2020	423	84,418	208,623	-	(11,177)	1,847	284,134

See notes to consolidated financial statements

VBT Financial Corporation Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019
(dollars in thousands)

	2020	2019
Cash flows from operating activities		
Net income	**$ 23,676**	$ 22,911
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income tax (benefit) expense	**(832)**	2,750
Depreciation and amortization	**3,272**	3,070
Provision for loan losses	**11,340**	5,932
Net amortization of investment securities	**1,462**	1,679
Amortization of core deposit intangibles	**1,747**	1,747
Income on cash surrender value life insurance	**(1,733)**	(1,678)
Net gain on sales of securities	**(630)**	(51)
Change in fair value of equity securities	**-**	(578)
Net loss on sale of equity securities	**169**	-
Net loss on disposal of fixed assets	**470**	2
Net gain on sales of loans	**(783)**	(1,099)
Net loss on sales of other real estate owned	**174**	190
Write-down of other real estate owned	**291**	-
Net change in loans held for sale	**640**	2,258
Net change in:		
Accrued interest receivable and prepaid expenses and other assets	**(92)**	(1,788)
Accrued interest payable and other liabilities	**(290)**	(868)
Net cash provided by operating activities	**38,881**	34,477
Cash flows from investing activities		
Proceeds from sales, maturities and paydowns of investment securities-available for sale	**1,636,710**	1,036,697
Purchases of investment securities - available for sale	**(1,604,130)**	(1,021,568)
Proceeds from maturities of investment securities - held to maturity	**112**	105
Proceeds from sale of equity securities	**409**	-
Net change in restricted equity securities	**7,236**	(7,417)
Net change in loans held for investment	**(338,569)**	(190,283)
Capital expenditures	**(5,516)**	(1,925)
Proceeds from sales of other real estate owned	**2,437**	2,039
Net cash used in investing activities	**(301,311)**	(182,352)
Cash flows from financing activities		
Net change in deposits	**510,986**	70,438
Net change in short term advances and borrowings	**(180,000)**	180,000
Dividends paid	**(20,708)**	(18,000)
Payment to buy out minority stockholders	**-**	(503)
Net cash provided by financing activities	**310,278**	231,935
Net change in cash and cash equivalents	**47,848**	84,060
Cash and cash equivalents at beginning of year	**256,489**	172,429
Cash and cash equivalents at end of year	**$ 304,337**	$ 256,489

See notes to consolidated financial statements.

NOTE 1: Summary of Significant Accounting Policies

Consolidation: The accompanying consolidated financial statements include the accounts of VBT Financial Corporation, Inc. (VBT), and its wholly owned subsidiary, Vantage Bank Texas (the Bank) (collectively, the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of operations: The Company provides a variety of financial services to individuals and commercial businesses through its offices in Fort Worth, San Antonio, El Paso, Laredo, McAllen/Brownsville and surrounding south Texas cities. Its primary lending products are commercial, real estate and consumer loans, and its primary deposit products are checking, savings, and term certificate accounts.

The Bank is subject to regulation by the Texas Department of Banking and the Federal Reserve Bank. The Company is regulated by the Federal Reserve Bank.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, impairment of securities, the valuation of other real estate owned and the valuation of unfunded loan commitments.

New and recently issued accounting standards: Accounting Standards Update (ASU) No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities—In January 2016, the Financial Accounting Standards Board (FASB) issued this ASU which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments and applies to all entities that hold financial assets or owe financial liabilities. Among other provisions, it significantly changes the accounting for equity securities and for liabilities accounted for under a fair value option. This ASU was effective for the Company beginning in 2019 and the Company's adoption of this ASU had no material effect on its financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification and creating Topic 842, Leases. Leasing is utilized by many entities. It is a means of gaining access to assets, of obtaining financing, and/or of reducing an entity's exposure to the full risks of asset ownership. The prevalence of leasing, therefore, means that it is important to users of financial statements to have a complete and understandable picture of an entity's leasing activities. Previous lease accounting was criticized for failing to meet the needs of users of financial statements because it did not always provide a faithful representation of leasing transactions. It did not require lessees to recognize assets and liabilities arising from operating leases on the balance sheet. As a result, there had been long-standing requests from many users of financial statements and others to change the accounting requirements so that lessees would be required to recognize the rights and obligations resulting from leases as assets and liabilities. The ASU is effective for the Company in fiscal years beginning in 2022. The Company is evaluating the impact on adopting this new guidance on its consolidated financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Current GAAP requires an incurred loss methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. Users of financial statements expressed concern that current GAAP restricts the ability to record credit losses that are expected, but do not yet meet the probable threshold. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Company in fiscal years beginning in 2024. The Company is evaluating the impact on adopting this new guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which made the following changes that may affect the Company: (1) Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment or debt extinguishment costs should be classified as cash flows for financing activities. (2) Proceeds from the Settlement of Bank-Owned Life Insurance Policies: Cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash flows from investing activities. The cash payments for premiums on bank-owned policies may be classified as cash flows for investing activities, operating activities, or a combination of investing and operating activities. The ASU is effective for the Company in fiscal years beginning in 2020. The Company has evaluated the impact of this new guidance on its consolidated financial statements. ASU 2016-15 was effective for the Company beginning of 2020 and its adoption did not have an impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment.* The ASU simplified 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 the Company beginning in 2023 and the Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. This Update shortens the amortization period for certain callable debt securities held at a premium to require such premiums to be amortized to the earliest call date unless applicable guidance related to certain pools of securities is applied to consider estimated prepayments. Under prior guidance, entities were generally required to amortize premiums on individual, non-pooled callable debt securities as a yield adjustment over the contractual life of the security. This Update does not change the accounting for callable debt securities held at a discount. ASU 2017-08 will be effective for the Company beginning in 2020 and is not expected to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement. The ASU eliminates, adds, and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. ASU 2018-13 was effective for the Company beginning in 2020 and its adoption did not have a material impact on the consolidated financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met, including the following: 1) Modifications of contracts within the scope of Topics 310, Receivables, and Topic 470, Debt, should be accounted for by prospectively adjusting the effective interest rate; 2) Modifications of contracts within the scope of Topic 842, Leases, should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate; 3) Modifications of contracts do not require an entity to reassess its original conclusion about whether that contract contains an embedded derivative that is clearly and closely related to the economic characteristics and risks of the host contract under Topic 815; 4) an optional expedients for various hedging relationships without de-designation of hedging relationships if certain criteria are met; 5) An entity may make a one-time election to sell, transfer, or both sell and transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform and that are classified as held to maturity before January 1, 2020. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is evaluating the impact of this new guidance on its consolidated financial statements.

Cash and due from banks: For purposes of the consolidated statements of cash flows, cash and due from banks include, cash, cash equivalents, balances due from banks and interest-bearing deposits in banks. The Company maintains cash in deposit accounts that, at times, may exceed federally insured limits. The Company monitors these relationships on a quarterly basis in compliance with regulatory guidelines. The Company has not experienced any losses in such accounts.

Securities: Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. Securities not classified as held-to-maturity, are classified as available-for-sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. During the years ended December 31, 2020 and 2019, the Company had no securities classified as trading securities.

Purchase premiums and discounts are amortized and accreted to operations using the level-yield method of accounting, adjusted for prepayments as applicable. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Declines in the fair value of held-to-maturity and available-for-sale securities are evaluated to determine whether declines in fair value below their amortized cost are other than temporary. In estimating other-than-temporary impairment losses on debt securities, management considers a number of factors, including, but not limited to, (1) the length of time and the extent to which the fair value has been less than the amortized cost, (2) the financial condition and near-term prospects of the issuer, (3) the current market conditions and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not the Company will be required to sell the security before its anticipated recovery.

Restricted equity securities: Restricted equity securities include Federal Home Loan Bank (FHLB) stock, Federal Reserve Bank stock and The Independent Bankers Bank stock, which are carried at cost on the consolidated balance sheets. These equity securities are restricted, in that they can only be sold back to the respective institution or another member institution at par. Therefore, they are less liquid than other marketable equity securities. The Company views its investments in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in value. No impairment has been recorded on these securities.

Equity securities: Upon the Company's adoption of ASU No. 2016-01, equity securities with readily determinable fair values are carried at fair value, with changes in fair value reported in noninterest income. During 2020, the Company sold all equity securities for $409 thousand and recognized a net loss of approximately $169 thousand.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

Gains or losses 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.

Loans: The Company grants real estate, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans throughout North, Central, and South Texas, including surrounding areas. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in these areas.

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, are reported at their outstanding principal, adjusted for any charge-offs, the allowance for loan losses, and deferred loan fees. Interest income is accrued on the unpaid principal balance.

Nonperforming loans, charge-offs, and delinquencies: A loan is considered delinquent when principal and/or interest amounts are not current, in accordance with the contractual loan agreement.

The accrual of interest on real estate and commercial loans in discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Consumer loans are typically charged off no later than 120 days past due. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

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

Loans are fully or partially charged down to the fair value of the collateral securing the loan when management determines the loan to be uncollectible, repayment is deemed to be delayed or doubtful beyond reasonable time frames, the borrower has declared bankruptcy, or the loan is past due for an unreasonable time period. Such charge-offs are charged against the allowance for loan losses. Recoveries of previous loan charge-offs are credited to the allowance for loan losses only when the Company receives cash or other collateral in repayment of the loan.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Troubled debt restructured loans: In situations related to a borrower's financial difficulties, the Company may grant a concession to the borrower for other than an insignificant period that would not otherwise be considered. In such instances, the loan will be classified as a troubled debt restructuring. These concessions may include interest rate reductions, payment forbearance or other actions intended to minimize the economic loss and avoid foreclosure of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, the Bank measures an impairment loss on the restructuring, as noted above for impaired loans.

Accounting and reporting considerations under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) include Section 4013 for businesses affected by the 2019 Coronavirus (COVID-19). Section 4013 allows a financial institution the option to account for eligible 4013 loans under ASC Topic 310-40, as required by U.S. GAAP, or under an exception. A loan is considered an "eligible 4013 loan" if the modification was related to COVID-19 and the loan that was not more than 30 days past due as of December 31, 2019, and the modification was executed between March 1, 2020 and the earlier of a) 60 days after the termination of the national emergency order under COVID-19, or b) December 31, 2020. As of December 31, 2020, the Company reported 6 loans under Section 4013 with an outstanding cumulative balance of $45 million.

Allowance for loan losses: The Company maintains an allowance for loan losses as a reserve established through a provision for possible 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 opinion of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's methodology for the allowance for loan losses includes allowance allocations calculated in accordance with ASC 310 Receivables, and ASC 450 Contingencies. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions.

The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. Factors that influence that determination include quantifiable aspects, such as loan volume, loan concentrations and loan quality trends. Loan quality trends include nonaccrual, past-due and classified loans; and current period loan charge-offs and recoveries. The determination also includes qualitive aspects, such as changes in local, regional or national economies or markets and other factors. Such qualitative factors are highly judgmental and require constant refinement. The Company has an internal loan review function, the objective of which is to identify potential problem loans, properly classify loans by risk grade and assist senior management in maintaining an adequate allowance for loan losses account by reviewing and refining the methodology, as needed, based on changing circumstances.

The Company's allowance for loan losses consists primarily of two elements: (1) a specific valuation allowance determined in accordance with the ASC, based on probable losses on specific, individual loans and (2) a general valuation allowance determined in accordance with the ASC 310, based on historical loan loss experience for pools of similar loans, which is then adjusted to reflect the impact of current trends and conditions.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Bank premises and equipment: Land is carried at cost. Bank premises and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives range from three to thirty-nine years.

Long-lived assets: Long-lived assets, including bank premises and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from operations of the asset are less than the carrying value of the asset. The cash flows used for this analysis are those directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds its fair value.

Goodwill: Goodwill represents the excess of costs over the tangible fair value of assets of an acquired business. Goodwill acquired in a purchase combination and determined to have an indefinite useful life is not amortized, but instead, is tested for impairment at least annually, and is evaluated for impairment more frequently if events and circumstances indicate that the asset might be impaired. During 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 financial markets. Based on this evaluation, the Company concluded that goodwill was not more than likely impaired as of December 31, 2020.

Core deposit intangible: The core deposit intangible, the portion of an acquisition purchase price which represents value assigned to the existing deposit base in an acquisition during 2017, has a finite life and is being amortized over the estimated life of eight years. Amortization expense for the years ended December 31, 2020 and 2019, totaled $1.7 million for each year presented.

Other real estate owned: 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 the carrying amount or fair value, less the cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating expenses.

Cash surrender value of life insurance: Life insurance policies are initially recorded at cost at the date of purchase. Subsequent to purchase, the policies are periodically adjusted for changes in contract value. The adjustment to contract value increases or decreases the carrying value of the policies and is recorded as income or expense on the statements of income.

Derivative financial instruments: The Company's cash flows are exposed to foreign currency risk from transactions denominated in foreign currencies, primarily the Mexican Peso. The Company utilizes forward exchange contracts to mitigate risk of volatility resulting from fluctuating foreign exchange rates. The maximum length of time that the forward exchange contracts hedges its exposure to the variability in future cash flows associated with foreign currency risk is 72 hours. As of December 31, 2020 and 2019, the Bank did not have any outstanding contracts. These contracts, if applicable, are derivatives and do not qualify for hedge accounting, accordingly, they would have been marked to market currently in earnings.

Foreign currency translation: Gains and losses resulting from transactions denominated in currencies other than the functional currency are recorded in the consolidated statements of income. Foreign exchange revenue attributable to foreign currency translation on the statements of income approximated $3.1 million and $2.6 million for the years ended December 31, 2020 and 2019, respectively. This results from the Company's daily settlement of most of its foreign currency denominated transactions.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 surrendered when (1) the assets have been isolated from the Company, (2) 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 (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Revenue recognition: On January 1, 2019, the Company adopted the provisions of ASU No. 2014-09, *Revenue from Contracts with Customers (collectively, Topic 606)* under the modified retrospective method. The implementation of the new standard did not have a material impact on the recognition of revenue, therefore a cumulative effect adjustment to opening retained earnings was not required.

The ASU (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as other real estate owned. The majority of the Company's revenue comes from interest income on loans that are outside the scope of this ASU. The Company's revenue streams that fall within the scope of the ASU are presented in noninterest income on the consolidated statement of income and are recognized as revenue as the Company satisfies its performance obligation to the customer. Services within the scope of the *FASB Accounting Standards Codification* (ASC) Topic 606 includes service charges and fees on deposit accounts; payment system fees, including interchange, surcharge, and merchant fees; ATM and debit card transactions; and gain on sale of certain assets.

In general, for revenue not associated with financial instruments, guarantees and lease contracts, the Company applies the following steps in accordance with ASU Topic 606 when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligation, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when a performance obligation is satisfied. The Company's contracts with customers are generally short term in nature, due within one year or less or cancellable by the Company or the customer upon a short notice period. Many of the services the Company performs for its customers are ongoing and either party may cancel at any time. The fees for these contracts are dependent upon various underlying factors, such as customer deposit balances, and as such may be considered variable. The Company's performance obligations for these services are satisfied as the services are rendered and payment is collected. Other contracts with customers are for services provided at a point in time, and fees are recognized at the time such services are rendered. As of December 31, 2020 and 2019, the Company had no material unsatisfied performance obligations.

Service charges and fees on deposit accounts: At the time a deposit agreement (contract) is put into place by a customer and the Company, the types of service charges and fees, as well as the amount of the charges and fees, are disclosed to the customer. The Company currently recognizes deposit service charges and fees as income over the period of time in which the services are provided to the customer. No change to the accounting policy was required.

Payment system fees: Revenues, including interchange, surcharge, and merchant fees are recognized as they are incurred for each transaction when the payment card is used by the customer or an ATM or debit card transaction takes place. The Company is an agent to the performance obligations related to network costs associated with debit card transactions. Therefore, the Company reported debit fee income from such transactions, net of related debit fee expenses, as a component of noninterest income on the 2020 and 2019 consolidated statements of income.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Advertising costs: Advertising costs are expensed as incurred.

Income taxes: Effective January 1, 2020, the Company, with the consent of its stockholders, elected to become an S corporation under the Internal Revenue Code (Code). Accordingly, in lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Following this election, the Company will generally report no federal income tax expense or benefit in its financial statements, except for the expense incurred in connection with "recognized net built-in gains" as defined by the Code.

With the election to become an S corporation, the Company eliminated all deferred assets and liabilities with the exception of the estimated built-in gains tax. Accordingly, a deferred tax benefit for federal income tax purposes of $832 thousand was recognized in the statement of income for the year ended December 31, 2020. See also Note 12.

Prior to January 1, 2020, deferred tax assets and liabilities were reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities were expected to be realized or settled. As changes in tax laws or rates were enacted, deferred tax assets and liabilities were adjusted through the provision for income taxes. Valuation allowances were established when necessary to reduce deferred tax assets to the amount expected to be realized.

Generally accepted accounting principles 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 accompanying consolidated financial statements.

The Company is also subject to the Texas gross franchise tax.

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

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

Subsequent event: The Company has evaluated subsequent events through March 16, 2021, the date the consolidated financial statements were available to be issued. See discussions of subsequent events at Note 16 to these consolidated financial statements.

Reclassification: Certain reclassifications have been made in the prior-year consolidated financial statements to conform to the current-year presentation. These reclassifications had no effect on previously reported stockholders' equity or net income.

NOTE 2: Buyout of Minority Shareholders

Effective April 2018 the Company entered into an agreement to purchase all shares not held by the majority stockholder and his related entities at a price of $0.67 per share. The Company had also previously awarded common shares to certain officers and employees of the Company pursuant to its Stock Incentive Plan. As part of the minority shareholders buyout, the Stock Incentive Plan was terminated, and those common shares fully vested were canceled and converted into the right to receive $0.67 per share. Similarly, each minority stockholder who was a holder of an unexercised warrant granted by the Company had the right to exercise the minority warrant and receive a cash payment equal to $0.15 per minority warrant, representing the difference between the per share consideration of $0.67 per share and the exercise price of the minority warrant of $0.52 per share. The total amount due the minority shares and minority warrants was $14.9 million. This amount was injected into the Company during 2018 by the majority stockholder and his related entities. At December 31, 2020 and 2019, the total liability amount for unclaimed minority shares is $295 thousand and $303 thousand, respectively.

NOTE 3: Fair Value Measurements

The Company follows the provisions of the ASC Topic 820, Fair Value Measurements and Disclosures. The ASC defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The ASC also establishes a framework for measuring fair value using a hierarchy system and requires disclosure of fair value measurements. The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs and includes three levels based upon the valuation techniques used. The three levels are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2: Observable inputs, other than Level 1, including quoted prices for similar assets or liabilities, quoted in less active markets or other observable inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure of accounting. This is done primarily for available-for-sale securities. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as impaired loans and other real estate owned. Fair value is also used when evaluating impairment on certain assets, including held-to-maturity and available-for-sale securities, goodwill, core deposits and other intangibles, long-lived assets and for disclosures of certain financial instruments.

There were no transfers among the three hierarchy levels of input during the years ended December 31, 2020 and 2019.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth on the following page.

NOTE 3: Fair Value Measurements (continued)

Securities available-for-sale: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include actively-traded government bonds, such as certain United States Treasury and other United States government and agency securities and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, prices of securities with similar characteristics or discounted cash flows. Level 2 securities generally include certain United States government and agency securities, state and municipal securities, corporate debt securities, and certain derivatives. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

The following table summarizes assets measured at fair value by class on a recurring basis as reported on the consolidated balance sheets as of December 31, 2020 and 2019, segregated by level within the fair value measurement hierarchy (dollars in thousands):

	Fair Value Measurement at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
State and municipal securities	$ -	$ 2,353	$ -	$ 2,353
SBA loan pools	-	2,667	-	2,667
Mortgage-backed securities	-	85,659	-	85,659
Equity securities	-	-	-	-
	$ -	$ 90,679	$ -	$ 90,679

	Fair Value Measurement at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
State and municipal securities	$ -	$ 4,350	$ -	$ 4,350
SBA loan pools	-	38,482	-	38,482
Mortgage-backed securities	-	79,182	-	79,182
Equity securities	578	-	-	578
	$ 578	$ 122,014	$ -	$ 122,592

There are no liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019.

A description of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Impaired loans: The specific reserves for collateral-dependent impaired loans are determined based on the fair value of collateral method in accordance with ASC 310, Receivables. Under the fair value of collateral method, the specific reserve is equal to the difference between the carrying value of the loan and the fair value of the collateral, less estimated selling costs. When a specific reserve is required for an impaired loan, the impaired loan is essentially measured at fair value. The fair of collateral is determined based on appraisals or other valuations, with further adjustments made to the appraised values due to various factors, including the age of the appraisal and known changes in the market and in the collateral. The resulting fair value measurement is disclosed in the nonrecurring hierarchy table. Where adjustments made to appraisals are based on assumptions not observable in the marketplace and where estimates of fair values used for other collateral supporting other loans are based on assumptions not observable in the marketplace, such valuations have been classified as Level 3.

NOTE 3: Fair Value Measurements (continued)

Other real estate owned: Other real estate owned, upon initial recognition, is measured and reported at fair value less estimated costs of disposal through a charge-off to the allowance for loan losses based upon the fair value of the real estate acquired, establishing a new cost basis. The fair value of collateral is determined based on appraisals, with further adjustments made to the appraised values due to various factors, including the age of the appraisal, age of comparables included in the appraisal and known changes in the market and in the collateral.

The resulting fair value measurement is disclosed in the nonrecurring hierarchy table. Where adjustments are made to appraisals based on assumptions not observable in the marketplace and where estimates of fair values used for other collateral supporting real estate loans are based on assumptions not observable in the marketplace, such valuations have been classified as Level 3.

The following tables summarize assets as of December 31, 2020 and 2019, that are measured at fair value by class on a nonrecurring basis (dollars in thousands):

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 15,991	$ 15,991
Other real estate owned	-	-	3,181	3,181

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 12,295	$ 12,295
Other real estate owned	-	-	2,922	2,922

NOTE 4: Investment Securities

The amortized cost and fair value of available for sale securities, with gross unrealized gains and losses as of December 31, 2020 and 2019, were as follows (dollars in thousands):

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities available for sale:				
State and municipal securities	$ 2,233	$ 120	$ -	$ 2,353
SBA loan pools	2,699	5	37	2,667
Mortgage-backed securities	83,900	1,809	50	85,659
	$ 88,832	$ 1,934	$ 87	$ 90,679

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities available for sale:				
State and municipal securities	$ 4,313	$ 44	$ 7	$ 4,350
SBA loan pools	39,125	10	653	38,482
Mortgage-backed securities	78,805	535	158	79,182
	$ 122,243	$ 589	$ 818	$ 122,014

The amortized cost and fair value of held to maturity securities, with gross unrealized gains and losses as of December 31, 2020 and 2019, were as follows (dollars in thousands):

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities to be held to maturity				
State and municipal securities	$ 1,010	$ 94	$ -	$ 1,104
Corporate bonds	101	14	-	115
	$ 1,111	$ 108	$ -	$ 1,219

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities to be held to maturity				
State and municipal securities	$ 1,122	$ 77	$ -	$ 1,199
Corporate bonds	101	12	-	113
	$ 1,223	$ 89	$ -	$ 1,312

NOTE 4: Investment Securities (continued)

Investment securities carried at approximately $6.9 million and $3.2 million at December 31, 2020 and 2019, respectively, were pledged to secure public funds and for other purposes required or permitted by law.

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities by contractual maturity at December 31, 2020, were as follows (dollars in thousands):

	Amortized Cost	Fair Value
Securities avaliable for sale:		
Within one year	$ -	$ -
After one year through five years	-	-
After five years through ten years	-	-
Over ten years	2,233	2,353
	2,233	2,353
SBA loan pools	2,699	2,667
Mortgage-backed securities	83,900	85,659
	$ 88,832	$ 90,679
Securities held to maturity:		
Within one year	$ 118	$ 118
After one year through five years	477	514
After five years through ten years	281	323
Over ten years	235	264
	$ 1,111	$ 1,219

For the years ended December 31, 2020 and 2019, proceeds from sales of securities available for sale amounted to $102.5 million and $10.3 million, respectively. Gross realized gains amounted to $1.12 million and $56 thousand for December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, gross realized losses amounted to $490 thousand and $5 thousand, respectively.

NOTE 4: Investment Securities (continued)

Information pertaining to securities with gross unrealized losses at December 31, 2020 and 2019, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows (dollars in thousands):

	December 31, 2020					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale:						
State and municipal securities	$ -	$ -	$ -	$ -	$ -	$ -
SBA loan pools	551	-	1,430	37	1,981	37
Mortgage-backed securities	3,583	50	-	-	3,583	50
	$ 4,134	$ 50	$ 1,430	$ 37	$ 5,564	$ 87

	December 31, 2019					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale:						
State and municipal securities	$ 1,657	$ 7	$ -	$ -	$ 1,657	$ 7
SBA loan pools	122	1	36,781	652	36,903	653
Mortgage-backed securities	15,299	83	15,763	75	31,062	158
	$ 17,078	$ 91	$ 52,544	$ 727	$ 69,622	$ 818

	December 31, 2020					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities held to maturity:						
State and municipal securities	$ -	$ -	$ -	$ -	$ -	$ -

	December 31, 2019					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities held to maturity:						
State and municipal securities	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 4: Investment Securities (continued)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than the amortized cost, (2) the financial condition and near-term prospects of the issuer, (3) the current market conditions and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not the Company will be required to sell the security before its anticipated recovery. Declines in the fair value of held-to-maturity and available-for-sale securities below their amortized cost basis that are deemed to be other than temporary are carried at fair value. Any portion of a decline in value associated with credit loss is recognized in earnings as a realized loss.

At December 31, 2020 there are 4 securities with unrealized losses (41 in 2019). The Company believes the unrealized loss position in securities is temporary, as the Company intends to hold these securities until maturity, at which time the investments are expected to pay face value. In addition, the Company does not believe there to be any deterioration in the credit quality of the securities that would indicate other-than-temporary impairment, but rather, the unrealized losses are consistent with changes in market interest rates over the past year and are considered temporary. As of December 31, 2020, and 2019, the Company did not have any securities with other-than-temporary impairment.

NOTE 5: Loans and Allowance for Loan Losses

The components of loans in the consolidated balance sheets were as follows (dollars in thousands):

	December 31	
	2020	2019
Real estate:		
Commercial	**$ 1,375,326**	$ 1,268,018
Residential	**154,070**	119,810
Commercial	**449,818**	258,113
Consumer	**8,589**	9,653
Other	**10,468**	4,408
	1,998,271	1,660,002
Less net deferred loan fees	**6,854**	3,094
Less allowance for loan losses	**26,029**	15,872
Total	**$ 1,965,388**	$ 1,641,036

The Company engages in loan participation agreements with other financial institutions to accommodate Company customers whose borrowing needs exceed the Company's legal lending limit and participating financial institutions' customers requiring similar accommodation. To accommodate Company customers, the Company may transfer a portion of its customer's loan to one or more participating financial institutions (sold loan participations). To accommodate the participating financial institutions' customers, the Company may purchase a portion of the participating financial institution's customer loan (purchased loan participations). The sold loan participations balance is netted against the purchased loan participations balance and included in the respective loan components presented in the preceding table.

During 2020, the Company did not originate any purchased loan participations. In 2019, the Company originated gross purchased loan participations approximating $60 million. At December 31, 2020 and 2019, purchased loan participation balances included in the preceding table approximated $80.5 and $96.5 million, respectively.

NOTE 5: Loans and Allowance for Loan Losses (continued)

During 2020 and 2019, the Company sold loan participations of approximately $14.8 million and $9.5 million, respectively, to other financial institutions. At December 31, 2020 and 2019, the sold loan participations balance included in the preceding table approximated $124.9 million and $60.1 million, respectively.

The Company has lending policies and procedures in place to grant loans to borrowers only after a full evaluation of the credit history and repayment abilities of the borrower. The Company's extension of credit is governed by the individual loan policies that were established to control the quality of the Company's loans. These policies and procedures are reviewed and approved by the Board of Directors on a regular basis. Specific loan terms vary as to interest rate, repayment and collateral requirements based on the type of loan requested and the creditworthiness of the prospective borrower. Credit risk tends to be geographically concentrated in that most of the loan customers are in the markets serviced by the Company.

At December 31, 2020 and 2019, the Bank had total commercial real estate loans of $1.4 billion and $1.3 billion, respectively. Included in this amount, the Bank had construction, land development and other land loans representing 99% of total capital at December 31, 2020 (71% in 2019). The Bank had nonowner occupied commercial real estate loans representing 344% of total capital at December 31, 2020 (337% at 2019). Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE). 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-weighted assets, 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.

Commercial real estate loans: The Company's goal is to create and maintain a high-quality portfolio of commercial real estate loans with customers who meet the quality and relationship profitability objectives of the Company. Commercial real estate loans are subject to underwriting standards and are made primarily on the historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. These loans are analyzed using projected cash flows, and the repayment of these loans is largely dependent on the successful operation of the property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market, such as geographic location and property type.

Residential real estate loans: The Company originates loans secured by 1-4 family residential property that is in its market areas. The underwriting process consists of a credit analysis, employment history and an analysis of the secured real estate property. The repayment and collectability of real estate loans may be adversely affected by conditions in the real estate markets or the general economy. Management monitors and evaluates real estate loans based on collateral, geography, and risk criteria.

NOTE 5: Loans and Allowance for Loan Losses (continued)

Commercial loans: Commercial operating and term loans are originated in the Company's primary service area. These loans are made to individuals, partnerships, corporations, limited liability partnerships and limited liability companies for the purpose of assisting in the development of a business enterprise. Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably. Such evaluations involve reviews of historical and cash flow projections and valuations of collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other available business assets and frequently include a personal guarantee by the principal owners; however, some commercial loans may be made on an unsecured basis. The repayment of commercial loans is substantially dependent on the ability of borrowers to operate their businesses profitably and collect amounts due from their customers. The cash flow of borrowers may not perform as forecasted, and collateral securing the loans may fluctuate in value due to economic or individual performance factors. Minimum standards and underwriting guidelines have been established for all commercial loan types.

Section 1102, Paycheck Protection Program (PPP), of the CARES Act provides financial assistance to small businesses affected by COVID-19 in the form of extended credit under the SBA 7(a) loan program. Under the PPP, a borrower may have a portion or all of the loan forgiven if the proceeds were used 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 Company funded approximately $157 million of PPP loans and received reimbursement from the SBA of approximately $32 million. At December 31, 2020, the Company reported in commercial loans, 757 PPP loans with an outstanding aggregate balance approximating $125 million. 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.

Consumer loans: The Company originates direct consumer loans, including vehicle loans and other personal loans, using criteria established by the Company's credit policy. Each loan type has separate specified factors upon which credit decisions are based. These factors include credit history, repayment ability of the borrower based on current personal income and collateral type and value. The repayment of consumer loans can be adversely affected by economic conditions and other factors that impact the borrower's income.

As part of its on-going monitoring of the credit quality of the Company's loan portfolio, management utilizes an internal classification system as a means of reporting problem and potential problem loans and assigns risk grades to loans as follows:

Pass (Grades 1-5): Loans to borrowers with acceptable credit quality and risk.

Special mention (Grade 6): Loans to borrowers whose credit quality may have deteriorated since origination and are at risk of further decline unless measures are taken to correct the situation.

Substandard (Grade 7-8): Loans to borrowers with well-defined credit quality weaknesses, which make payment default or principal exposure possible, but not yet certain. Such loans are individually evaluated for a specific valuation allowance.

Doubtful (Grade 9): Loans to borrowers in which payment default or principal exposure is probable. Such loans are individually evaluated for a specific valuation allowance.

Loss (Grade 10): Loans in this classification are considered uncollectible and cannot be justified as a viable asset of the Company.

NOTE 5: Loans and Allowance for Loan Losses (continued)

At December 31, 2020 and 2019, the Company's loan portfolio risk grades by loan segment were as follows (dollars in thousands):

	December 31, 2020				
	Pass	Special Mention	Substandard	Doubtful	Total Loans
Real estate:					
Commercial	$ 1,282,778	$ 59,000	$ 33,548	$ -	$ 1,375,326
Residential	145,338	80	8,652	-	154,070
Commercial	446,585	2,327	906	-	449,818
Consumer	8,589	-	-	-	8,589
Other	10,468	-	-	-	10,468
	$ 1,893,758	$ 61,407	$ 43,106	$ -	$ 1,998,271

	December 31, 2019				
	Pass	Special Mention	Substandard	Doubtful	Total Loans
Real estate:					
Commercial	$ 1,225,949	$ 28,479	$ 13,590	$ -	$ 1,268,018
Residential	117,743	-	2,067	-	119,810
Commercial	256,774	173	1,166	-	258,113
Consumer	9,653	-	-	-	9,653
Other	4,408	-	-	-	4,408
	$ 1,614,527	$ 28,652	$ 16,823	$ -	$ 1,660,002

NOTE 5: Loans and Allowance for Loan Losses (continued)

An aged analysis of past-due loans, segregated by class of loans, as of December 31, 2020 and 2019, was as follows (dollars in thousands):

	December 31, 2020					
	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past-Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
Real estate:						
Commercial	$ 2,131	$ 2,225	$ 4,356	$ 1,370,970	$ 1,375,326	$ 79
Residential	4,665	1,621	6,286	147,784	154,070	1,621
Commercial	138	644	782	449,036	449,818	-
Consumer	62	-	62	8,527	8,589	-
Other	-	-	-	10,468	10,468	-
	$ 6,996	$ 4,490	$ 11,486	$ 1,986,785	$ 1,998,271	$ 1,700

	December 31, 2019					
	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Past-Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
Real estate:						
Commercial	$ 2,746	$ 8,569	$ 11,315	$ 1,256,703	$ 1,268,018	$ 447
Residential	5,977	2,654	8,631	111,179	119,810	2,264
Commercial	510	646	1,156	256,957	258,113	-
Consumer	3	1	4	9,649	9,653	1
Other	-	-	-	4,408	4,408	-
	$ 9,236	$ 11,870	$ 21,106	$ 1,638,896	$ 1,660,002	$ 2,712

NOTE 5: Loans and Allowance for Loan Losses (continued)

Loans are considered impaired and placed on nonaccrual status 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. Loans may be placed on impaired and nonaccrual status regardless of whether or not such loans are considered past due. An analysis of impaired and nonaccrual loans, segregated by class of loans, as of December 31, 2020 and 2019, is as follows (dollars in thousands):

	December 31, 2020				
	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real estate:					
Commercial	$ 12,629	$ 1,629	$ 14,258	$ 89	$ 13,740
Residential	926	-	926	-	649
Commercial	738	295	1,033	137	1,086
Consumer	-	-	-	-	-
Other	-	-	-	-	-
	$ 14,293	$ 1,924	$ 16,217	$ 226	$ 15,475

	December 31, 2019				
	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real estate:					
Commercial	$ 2,588	$ 10,634	$ 13,222	$ 2,217	$ 11,808
Residential	373	-	373	-	383
Commercial	287	851	1,138	221	569
Consumer	-	-	-	-	-
Other	-	-	-	-	-
	$ 3,248	$ 11,485	$ 14,733	$ 2,438	$ 12,760

At December 31, 2020 and 2019, the total unpaid principal balance on impaired loans was approximately $16.5 million and $15.3 million, respectively.

During the years ended December 31, 2020 and 2019, the Company did not recognize any significant interest income on impaired and nonaccrual loans.

At December 31, 2020, the Company had 21 loans totaling approximately $1.4 million that were modified in a troubled debt restructuring (TDR) arrangement. The Company evaluated these loans for possible impairment consistent with its accounting for impaired loans policy. Any such loss would be recognized through a charge-off to the allowance for loan loss account. Such modifications generally allow the borrower concessions that delay the payment of principal and interest beyond contractual requirements, but not the forgiveness of either principal or interest. A TDR is considered to be in payment default once it is 30 days contractually past due under the modified terms. During the year ended December 31, 2020, the Company had 10 TDRs which defaulted within twelve months of modification. At December 31, 2019, the Company's loan portfolio had no loans categorized as TDRs.

NOTE 5: Loans and Allowance for Loan Losses (continued)

Changes in the allowance for loan losses, by portfolio segment, for the years ended December 31, 2020 and 2019, were as follows (dollars in thousands):

	Year Ended December 31, 2020					
	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Total
Balance at beginning of year	$ 12,614	$ 730	$ 2,270	$ 90	$ 168	$ 15,872
Provision (credit) for loan losses	8,500	1,577	1,368	(79)	(26)	11,340
Charge-offs	(2,558)	(93)	(279)	(2)	(151)	(3,083)
Recoveries	1,122	70	601	8	99	1,900
Net (charge-offs) recoveries	(1,436)	(23)	322	6	(52)	(1,183)
Balance at end of year	$ 19,678	$ 2,284	$ 3,960	$ 17	$ 90	$ 26,029
Allocation:						
Individually evaluated for impairment	$ 89	$ -	$ 137	$ -	$ -	$ 226
Collectively evaluated for impairmen	19,589	2,284	3,823	17	90	25,803

	Year Ended December 31, 2019					
	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Total
Balance at beginning of year	$ 6,033	$ 567	$ 2,887	$ 132	$ -	$ 9,619
Provision (credit) for loan losses	6,410	162	(925)	(47)	332	5,932
Charge-offs	(1)	(174)	(1)	(3)	(238)	(417)
Recoveries	172	175	309	8	74	738
Net (charge-offs) recoveries	171	1	308	5	(164)	321
Balance at end of year	$ 12,614	$ 730	$ 2,270	$ 90	$ 168	$ 15,872
Allocation:						
Individually evaluated for impairment	$ 2,217	$ -	$ 221	$ -	$ -	$ 2,438
Collectively evaluated for impairment	10,397	730	2,049	90	168	13,434

NOTE 5: Loans and Allowance for Loan Losses (continued)

The Company's recorded investment in loans as of December 31, 2020 and 2019, related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology was as follows:

	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Total
Loans individually evaluated for impairment	$ 14,258	$ 926	$ 1,033	$ -	$ -	$ 16,217
Loans Collectively evaluated for impairment	1,361,068	153,144	448,785	8,589	10,468	1,982,054
Balance at end of year	$ 1,375,326	$ 154,070	$ 449,818	$ 8,589	$ 10,468	$ 1,998,271

	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Other	Total
Loans individually evaluated for impairment	$ 13,222	$ 373	$ 1,138	$ -	$ -	$ 14,733
Loans Collectively evaluated for impairment	1,254,796	119,437	256,975	9,653	4,408	1,645,269
Balance at end of year	$ 1,268,018	$ 119,810	$ 258,113	$ 9,653	$ 4,408	$ 1,660,002

NOTE 6: Bank Premises and Equipment

Components of Bank premises and equipment included in the consolidated balance sheets were as follows (dollars in thousands):

	December 31	
	2020	2019
Land	**$ 12,440**	$ 12,533
Building	**27,761**	27,489
Leasehold improvements	**849**	121
Equipment	**14,662**	12,482
Construction in progress	**2,856**	991
	58,568	53,616
Less accumulated depreciation	**13,716**	11,180
	$ 44,852	$ 42,436

Depreciation expense for the years ended December 31, 2020 and 2019, totaled $2.6 million for each year represented.

NOTE 6: Bank Premises and Equipment (continued)

The Company leases several of its branches and its corporate office under noncancelable operating leases with terms ending between 2021 and 2030. During 2015, the Company entered into a Lease Termination, Release and Guaranty agreement (Agreement) for a closed branch with a term ending in 2024. This Agreement required the Company to pay rent difference payments and certain other payments, which are being amortized over the remaining life of the lease and included in the rental commitment amounts shown in the table below. The Company also guarantees payment of the lease amounts by the new tenants.

Rental expense is recognized using the straight-line method. Rental expense for the years ended December 31, 2020 and 2019, totaled $2 million and $1.8 million, respectively.

The future minimum rental commitments of agreements under these leases are as follows (dollars in thousands):

Years ending December 31:		
2021	$	1,914
2022		1,874
2023		1,915
2024		1,868
2025		1,486
Thereafter		4,966
	$	14,023

NOTE 7: Deposits

A summary of deposits included in the consolidated balance sheets is as follows (in thousands):

	December 31			
	2020		2019	
Demand	**$**	**906,917**	$	681,110
NOW		**257,886**		179,363
Money Market		**429,023**		285,511
Savings		**66,028**		49,070
Certificates of deposit		**551,610**		505,424
	$	**2,211,464**	$	1,700,478

The aggregate amount of certificates of deposit (CDs) in denominations that meet or exceed $250 thousand totaled $326.8 million at December 31, 2020 ($315.6 million in 2019).

NOTE 7: Deposits (continued)

At December 31, 2020, the scheduled maturities of CDs were as follows (dollars in thousands):

Years ending December 31:	
2021	$ 501,250
2022	33,308
2023	13,131
2024	1,859
2025	2,062
	$ 551,610

NOTE 8: Employee Benefits Plan

The Company has a 401(k) retirement plan for the benefit of its employees. Substantially, all employees of the Company are eligible to participate in the contributory retirement plans. Participants may contribute up to a specified percent of their compensation to the plan, as stated in the plan document. Additionally, the Company may make discretionary contributions to the plan at the discretion of the Board of Directors. For the years ended December 31, 2020 and 2019, expenses attributable to the plan were $1.2 million and $1.1 million, respectively.

On December 8, 2020, the Company's Board of Directors approved a resolution to retroactively establish and adopt the Vantage Bank Texas Employee Stock Ownership Plan (Plan) effective January 1, 2020. The Plan is maintained pursuant to and in conjunction with the Vantage Bank Texas Employee Stock Ownership Trust (Trust) and has been established for the exclusive benefit of the Company's employees and their beneficiaries. It is the intention of the Company that the Trust be exempt from tax under Section 501(a) of the Internal Revenue Code (Code). The Plan is designed to reward employees for service by enabling eligible employees to acquire proprietary interests in common stock of the Company. The Plan consists of two portions, 1) a Stock Bonus Portion and 2) a Profit Sharing Plan Portion. The Stock Bonus Portion of the Plan is designed to qualify as an employee stock ownership plan under Sections 401(a) and 4975(e)(7) of the Code and Section 407(d)(6) of ERISA. Contributions to the Plan will be made by the Company and will be invested primarily in shares of common stock of the Company. The Plan is specifically permitted to invest up to 100% of its assets in shares of the Company's Stock. During the year ended December 31, 2020, the Company made no contributions to the Plan.

Effective January 1, 2021, the Company created a Non-Qualified Deferred Compensation Plan involving the issuance of Phantom Stock Grants to key executives and senior officers. Management has evaluated subsequent events up to the date of this report and has determined that the plan did not have an impact on the accompanying consolidated financial statements.

NOTE 9: Borrowed Funds

The Company has federal funds lines of credit totaling $65.0 million with Frost Bank, The Independent Bankers' Bank and Texas Capital Bank, N.A. Funds must be repaid the next business day unless renewed by the Company. Interest is payable daily based on the daily rate agreed upon at the time an advance is made. The lines of credit are available for one year and are renewable each year. There were no amounts outstanding on these lines of credit as of December 31, 2020 and 2019.

The Company also has an available line of credit and letters of credit with the FHLB secured by a blanket lien on certain commercial loans and mortgage loans, all FHLB stock and certain investment securities owned by the Company. The agreement provides for a maximum borrowing capacity of $834.2 million. At December 31, 2020, the Company had no FHLB advances. There were 2 FHLB outstanding advances at December 31, 2019, with an outstanding balance of $180 million.

At December 31, 2020, the Company had $225 million ($180 million in 2019) in undisbursed advance commitments (letter of credit) with the FHLB expiring between 2021 and 2023. The FHLB letters of credit were obtained in lieu of pledging securities to secure public fund deposits that are over the FDIC insurance limit. At December 31, 2020 there were no disbursements against the advance commitments.

NOTE 10: Junior Subordinated Debenture

In April 2007, the Company formed Vantage Bancorp Statutory Trust I (the Trust) with capital of $93 thousand. The Trust issued $3.0 million in Floating Rate Capital Securities (Trust Preferred Securities) to private market investors. The Trust Preferred Securities accrue interest quarterly at a floating rate equal to the three-month London Interbank Offered Rate plus 1.85%, with no interest rate ceiling (2.07% and 3.74% at December 31 2020 and 2019, respectively). The Trust Preferred Securities mature and are due and payable on June 15, 2037. The Company issued Trust Preferred Securities as a method of increasing regulatory capital.

In connection with this transaction, the Company issued a Floating Rate Junior Subordinated Deferrable Interest Debenture (Debenture) to the Trust for $3.1 million, with interest and maturity terms identical to the Trust Preferred Securities. The Trust is not consolidated in the accompanying consolidated financial statements. Instead, the investment in the Trust is shown in prepaid expenses and other assets and the Debenture in junior subordinated debenture on the consolidated balance sheets. Interest expense on the Debenture is reported in other interest expense on the consolidated statements of income. During December 31, 2020 and 2019, interest expense on the Debenture approximated $83 thousand and $135 thousand, respectively.

NOTE 11: Note Purchase Agreements

The Company executed note purchase agreements with a third-party bank related to borrowings between the third-party bank and various stockholders for the purchase of Company stock. These note purchase agreements allowed the third-party bank to request payment of the outstanding principal balance, plus any unpaid accrued interest, from the Company in the event of default by the respective stockholder.

As a result of previously purchased notes and recoveries on purchased notes, total stockholders' equity was reduced and reflected as stock notes receivable on the consolidated balance sheets. The stock notes receivable were extinguished during 2019.

NOTE 12: Income Taxes

Income tax (benefit) expense consisted of the following (dollars in thousands):

	Years Ended December 31	
	2020	2019
Currently paid or payable	**$ 52**	$ 3,080
Deferred income tax (benefit) expense	**(832)**	2,750
	$ (780)	$ 5,830

As discussed in the income taxes caption in Note 1, the Company no longer pays federal income taxes, except for federal taxes related to the recognition of built-in gains as a result of the election with the Internal Revenue Service to become an S-corporation. Therefore, at December 2020 and 2019, income tax expense differs from the amount which would be provided by applying the statutory federal income tax rates as indicated in the following analysis (dollars in thousands):

	Years Ended December 31	
	2020	2019
Computed at the expected statutory rate of 21%	**$ -**	$ 6,036
Effect of tax-exempt income	**-**	(21)
Other income, net of nondeductible expenses	**-**	(167)
Other	**52**	(18)
Cumulative effect of S election	**(832)**	-
	$ (780)	$ 5,830

Built-in gains tax liability:

In connection with the Company's election to become an S corporation for tax purposes, the Company has estimated it will incur a built-in gains tax of $458 thousand which is included in the deferred tax liability at December 31, 2020.

With the exception of the built-in gains tax, beginning January 1, 2020, any deferred tax liability or asset was eliminated at election date. Built-in gains may potentially be recognized during the five-year recognition period beginning on January 1, 2020. In consideration of potential built-in gains, the Company is required to:

- Maintain record of built-in gain triggering events.
- Should a triggering event result in a tax liability, the Company is responsible for tax payment which reduces the deferred tax liability.
- Measure the total deferred tax liability for built-in gains using the applicable tax rate.
- The ending deferred tax account balances are compared to the beginning of the period balances and the difference is the amount each account must be adjusted to change them to the required balances. The deferred tax expense or benefit entry is the net change in the deferred tax account for the year.

NOTE 12: Income Taxes (continued)

During 2019, the tax effects of temporary differences represented the significant portions of deferred tax assets and deferred tax liabilities. The table below provides a comparison of 2020 and 2019 deferred net tax assets and liabilities (dollars in thousands):

	December 31	
	2020	2019
Deferred tax assets related to:		
Allowance for loan and credit losses	**$ -**	$ 3,551
Nonaccrual loan interest	**-**	147
Other real estate owned	**-**	4
Loan discount	**-**	789
Goodwill	**-**	75
Securities available for sale	**-**	48
Other	**-**	31
Total deferred tax assets	**-**	4,645
Valuation allowance	**-**	-
	-	4,645
Deferred tax liabilities related to:		
Depreciation	**-**	(3,549)
Core deposit intangible	**-**	(1,926)
Deferred loan fees	**-**	(328)
Equity securities - mark to market adjustment	**-**	(121)
Other	**-**	(335)
Built-in gain tax liability	**(458)**	-
Total deferred tax liabilities	**(458)**	(6,259)
Net deferred tax liability	**$ (458)**	$ (1,614)

The Company files a United States federal income tax return, as well as a state return in Texas. With few exceptions, the Company is no longer subject to United States federal or Texas state tax examinations by tax authorities for years before 2017.

NOTE 13: Off-Balance Sheet Activities

Credit-related financial instruments: The Company is a party to credit-related 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. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

The following financial instruments, whose contract amounts represent credit risk, were outstanding (dollars in thousands):

	Contract Amount	
	2020	2019
Unfunded commitments under lines of credit	**$ 592,182**	$ 442,583
Standby letters of credit	**7,262**	10,614

Unfunded commitments under lines of credit include revolving credit lines, straight credit lines and interim construction loans, which are commitments for possible future extensions of credit to existing customers. These lines of credit may not be drawn upon to the total extent to which the Company is committed.

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Company's credit evaluation of the customer. Collateral held varies but may include cash; securities; accounts receivable; inventory; property, plant and equipment; and real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments, if deemed necessary.

NOTE 14: Legal Contingencies

The Company is a party to litigation arising in the normal course of business. Management, after consultation with legal counsel, believes the liabilities, if any, arising from such litigation and claims, will not be material to the Company's financial position.

NOTE 15: Related-Party Transactions

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates. The aggregate total commitment of these loans to related parties at December 31, 2020, totaled $36.3 million ($33.1 million in 2019), with outstanding balances totaling $29.7 million ($27.2 million in 2019). In management's opinion, these loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with nonrelated parties.

NOTE 15: Related-Party Transactions (continued)

During 2020 and 2019, amounts paid by the Company to a director for consulting services totaled approximately $992 thousand and $990 thousand, respectively.

Deposits held by the Bank from related parties totaled $167.9 million at December 31, 2020 ($120.1 million in 2019). As of December 31, 2020, approximately 7.6% of the Bank's total deposits were held for a principal stockholder and the stockholder's related entities (7.1% in 2019).

During the year ended December 31, 2020, the Company paid rental expense of approximately $936 thousand to a related party (approximately $864 thousand in 2019).

NOTE 16: Subsequent Events

COVID-19: The spread of the coronavirus (COVID-19) pandemic continues to significantly and adversely impact the global and domestic financial markets. Accordingly, if the COVID-19 crisis continues for a prolonged period, there is a reasonable possibility the Company could experience a material adverse effect on its future operations.

NOTE 17: Capital and Regulatory Matters

The Basel III capital rules became effective for the Bank on January 1, 2015, subject to a four-year phase-in period. Qualitative measures established by the Basel III capital rules to ensure capital adequacy require the maintenance of minimum amounts and ratios of Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital to Risk-Weighted-Assets, and of Tier 1 Capital to Average Assets. Basel III capital rules also introduced capital conservation buffers in excess of those minimum for Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital to Risk-Weighted-Assets. The capital conservation buffer is required so that the Bank can avoid limits on capital distributions and certain discretionary bonus payments to executive officers and similar employees. The capital conservation buffer was also phased in over the four-year period and was 2.5% for 2020 and 2019 for each year represented. The minimum amounts and ratios, including the required conservation buffer, are included in the tables below.

Management believes, at December 31, 2020 and 2019, that the Bank met all capital adequacy requirements to which it is subject. As of December 31, 2020 and 2019, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

NOTE 17: Capital and Regulatory Matters (continued)

The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019, are also presented in the following tables (dollars in thousands):

	Actual		Minimum Required For Capital Adequacy		Minimum Required to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020						
Common Equity Tier 1 Capital to Risk-Weighted Assets	**$ 273,670**	**12.32%**	**$ 155,504**	**7.0%**	**$ 144,397**	**6.5%**
Tier 1 Capital to Risk-Weighted Assets	**$ 273,670**	**12.32%**	**$ 188,827**	**8.5%**	**$ 177,719**	**8.0%**
Total Capital to Risk-Weighted Assets	**$ 301,228**	**13.56%**	**$ 233,256**	**10.5%**	**$ 222,149**	**10.0%**
Tier 1 Capital to Average Assets	**$ 273,670**	**11.00%**	**$ 99,956**	**4.0%**	**$ 124,945**	**5.0%**
December 31, 2019						
Common Equity Tier 1 Capital to Risk-Weighted Assets	$ 268,668	14.10%	$ 133,364	7.0%	$ 123,838	6.5%
Tier 1 Capital to Risk-Weighted Assets	$ 268,668	14.10%	$ 161,942	8.5%	$ 152,416	8.0%
Total Capital to Risk-Weighted Assets	$ 285,577	14.99%	$ 200,046	10.5%	$ 190,520	10.0%
Tier 1 Capital to Average Assets	$ 268,668	13.25%	$ 81,107	4.0%	$ 101,384	5.0%

Independent Auditor's Report
on the Effectiveness of the Institution's Internal Control over Financial Reporting

To the Board of Directors and Stockholders
of VBT Financial Corporation, Inc. and Subsidiary

Report on Internal Controls over Financial Reporting

We have audited the internal control over financial reporting of VBT Financial Corporation, Inc. and Subsidiary (Company), including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report), and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP, as of December 31, 2020 based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control over Financial Reporting

The Company's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Controls over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the institution's internal control over financial reporting based on our audit. We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An institution's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and the instructions for the Consolidated Reports of Condition and Income (Call Report), and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP. An institution's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the institution; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the institution are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the institution's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Opinion

In our opinion, VBT Financial Corporation, Inc. and Subsidiary maintained effective internal control over financial reporting, in all material respects, based on criteria established in the *Internal Control-Integrated Framework* issued by COSO.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of VBT Financial Corporation, Inc. and Subsidiary as of December 31, 2020 and our report dated March 16, 2021 expressed an unmodified opinion on those consolidated financial statements.

Payne & Smith, LLC

March 16, 2021

VANTAGE BANK
TEXAS

Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control over Financial Reporting

March 16, 2021

To the Federal Deposit Insurance Corporation, the
Texas Department of banking, and the
Federal Reserve Bank

This management report regarding the statement of management's responsibilities; management's assessment of compliance with designated laws and regulations; and management's assessment of internal control over financial reporting of VBT Financial Corporation, Inc. and Subsidiary (collectively, the "Company") subject to the annual audit and reporting requirements of Section 36 of the Federal Deposit Insurance Act and its implementing regulation, 12 CFR Part 363 (Part 363 Annual Reporting requirements) includes the following subsidiary institutions:

- VBT Financial Corporation, Inc.
- Vantage Bank Texas

Statement of Management's Responsibilities

The management of the Company is responsible for preparing the Company's annual consolidated financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report), and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP), and for complying with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance with Designated Laws and Regulations

The management of the Company has assessed its compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the year ended December 31, 2020. Based upon its assessment, management has concluded that the Company complied with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the year ended December 31, 2020.

Management's Assessment of Internal Control Over Financial Reporting

The Company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., instructions for the Consolidated Reports of Condition and Income (Call Report) and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP). The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting has inherent limitations Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report) and Consolidated Financial Statements for Bank Holding Companies (FR Y-9SP), as of December 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the *Internal Control Integrated Framework*. Based upon its assessment, management has concluded that, as of December 31, 2020, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report) and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP), is effective based on the criteria established in the *Internal Control Integrated Framework*

The Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income (Call Report) and the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP), as of December 31, 2020, has been audited by Payne & Smith, LLC, an independent public accounting firm, as stated in their report dated March 16, 2021.

Jeff Sinnott: CEO

Phil Lesh: Chief Financial Officer

Claudia Gonzalez. Controller