



President's Message to Shareholders:

The past year has been one of change and transition for JD Bancshares and JD Bank. But with change comes new opportunities, and with new opportunities come new possibilities. As I sit down to write this message to shareholders, I am excited for the new opportunities and possibilities that are on the horizon and look forward to reporting our progress to you on a more frequent basis.

The changes and transition centered around the Chief Executive Officer position, so allow me to introduce myself. My name is Bruce Elder and I arrived in southwest Louisiana on December 2nd from Raleigh, North Carolina. I am a 1984 graduate of North Carolina State University in Raleigh and began my banking career in the summer of 1984 just outside of Charlotte, North Carolina. My thirty-five plus year banking career has taken me from North Carolina, to Northern Virginia, back to North Carolina and now to Louisiana. It is a career that has included twenty years as a Chief Financial Officer for several community banks and six years as the Chief Executive Officer for a publicly-traded community bank. My wife Sherry and I have three adult sons and two grandsons back on the east coast.

Despite the changes this past year, the Board, management team and all the employees at JD Bank delivered a solid financial performance in 2019. Net income for the year-ended December 31, 2019 was \$8,947,846 or \$5.74 per share compared to \$9,391,054 or \$6.04 per share for the prior year. After taking into consideration several non-recurring, non-operating items for both years, the adjusted net operating earnings were \$8,641,012 or \$5.54 per share for 2019 compared to \$7,866,726 or \$5.06 per share in 2018. The non-recurring, non-operating items include an insurance settlement reimbursement for 2018 and gains on the sale of securities for both 2019 and 2018. On an adjusted net operating basis, your Company delivered an increase in earnings per share of 9.5%.

Financial performance metrics remained strong in 2019 as Return on Average Assets and Return on Average Equity were 1.03% and 10.38%, respectively. Net interest margin, a measure of the effective management of the yield on earning assets and the cost of interest bearing funds, was 4.40% for 2019 an increase from 4.14% for the prior year. Both the Bank and the Company are well capitalized with total regulatory capital to risk-weighted asset ratios of 15.25% and 13.27%, respectively.

Total assets at December 31, 2019 were \$885.0 million reflecting a \$20.4 million increase over the \$864.7 million at December 31, 2018. Additional funding provided through increases of \$13.3 million in deposits and \$7.9 million in stockholders' equity were deployed primarily into securities and interest bearing cash deposits with other banks in the amounts of \$21.1 million and \$2.4 million, respectively. Total loans held for investment declined by \$4.9 million over the course of the year. Total stockholders' equity at December 31, 2019 was \$88.9 million compared to \$81.0 million at December 31, 2018. The increase was primarily comprised of net income of \$8.9 million, plus a \$2.7 million increase in unrealized gains in our investment portfolio, less \$3.7 million in dividends declared and paid to shareholders. Dividends were paid at a rate of \$2.36 per common share representing a payout ratio of over 41% of total earnings per share.

Moving to some initiatives and plans for the year ahead. Effective Monday, March 16, 2020, JD Bancshares, Inc. (JDVB) began trading on the OTCQX[®] Best Market (the "OTCQX[®]"). This move from the Pink[®] market to the OTCQX[®] will provide the Company with greater visibility within the investor community and hopefully will have a positive impact on trading volume, liquidity and increase the demand for our stock. The early results are promising. In the first full week of trading on the OTCQX[®],

JDVB shares traded on four of the five trading days, whereas there were only three trades in the entire month of February. The corporate governance requirements of being a member of the OTCQX® will prepare us for the future as we move closer to the \$1 billion level in total assets.

We also have exciting news as we are about to expand our branch network in the eastern part of our footprint. In March, we received regulatory approval to open two new branch offices; one in New Iberia and one in Lafayette. We are in the process of putting the “JD Bank” style and brand on the offices and anticipate that our new office located at 631 East Admiral Doyle Drive in New Iberia will be open to serve new customers during the second quarter and the location at 3600 Johnson Street in Lafayette will be opening during the third quarter of 2020. While we currently have one office in each of these markets, we believe the addition of these new offices will allow “Louisiana’s Community Bank” to better serve the residents of New Iberia and Lafayette.

One of the benefits of being the new Chief Executive Officer and coming from a different geographic area is the ability to look at the Company and Bank through a fresh lens; to have a new perspective without falling back on “this is how it’s always been done.” This is a uniquely positioned Company, one that combines a certain size and scale as the fourteenth largest bank headquartered in Louisiana, with tremendous opportunity and a hard-working, dedicated workforce. We are looking at making certain changes that will make us a more efficient and profitable financial partner for our shareholders, customers, employees and the communities we serve. As we map out our strategic path into the future, we look forward to communicating with our shareholders and the investing public on a quarterly basis to share the progress we are making. We will begin issuing press releases in the month following the calendar quarter end that outlines our financial condition, our earnings results and accompanied by a narrative explaining the performance of your Company.

We encourage you to bookmark www.jdbank.com and follow us on Facebook, LinkedIn and Instagram to make sure you keep up to date with all the news, community activities and highlights of things going on at the Bank. The different social media platforms are used for different types of information. For instance, the Investor Relations section of our website has a link to the Daily Quote of JDVB on the OTCQX® and, along with LinkedIn, will serve as the primary distribution channel of our quarterly financial press releases. Facebook and Instagram are where we distribute more fun content about what community events we are participating in or sponsoring, and we will utilize LinkedIn and Facebook to post important customer updates and educational pieces on financial literacy.

In conclusion, this is an exciting time at the Company as we navigate all these new banking catch-phrases like Fin-Tech, Branch of the Future, Omni-Channel and AI (artificial intelligence). But the more things change, the more they stay the same. The main focus at JD Bancshares and its subsidiaries has been, and always will be, to provide our customers, employees, shareholders and communities with an exceptional experience. Thank you for your continued support and if I can be of assistance, please contact me.

A handwritten signature in black ink, appearing to read "Bruce W. Elder". The signature is fluid and cursive, with a large, stylized "B" and "E".

Bruce W. Elder, President & CEO; (337)246-5399, bruce.elder@jdbank.com

JD BANCSHARES, INC.**CONSOLIDATED FINANCIAL HIGHLIGHTS (in thousands)**

	2019	2018	Change
Deposits and Repurchase Agreements	\$ 772,432	\$ 759,274	1.73%
Loans (Net)	615,166	619,775	-0.74%
Net Income	8,948	9,391	-4.72%
Equity Capital	88,862	81,001	9.70%
Dividends Declared	3,680	3,484	5.63%

FIVE YEAR FINANCIAL REVIEW (in thousands, except per share amounts)

	2019	2018	2017	2016	2015
<u>Assets and Liabilities at Year End</u>					
Total Assets	\$ 885,049	\$ 864,688	\$ 869,364	\$ 806,277	\$ 799,068
Loans (Net)	615,166	619,775	599,307	598,521	582,606
Investments Available-for-Sale (AFS) (Fair Value)	151,777	126,408	141,512	77,368	104,277
Investments Held-to-Maturity (HTM) (at Amortized Cost)	18,154	22,408	24,048	26,512	23,540
Other Stocks, at Cost	9,661	8,313	8,260	6,273	7,510
<u>Stockholders' Equity</u>					
Common Stock	\$ 9,750	\$ 9,720	\$ 9,720	\$ 9,720	\$ 9,750
Surplus	3,850	3,598	3,598	3,598	3,598
Undivided Profits	74,341	69,073	63,166	60,375	59,749
Accumulated Other Comprehensive Income (Loss)	1,270	(1,390)	6	139	2,762
Note Receivable on Common Stock	(349)	-	-	-	-
Treasury Stock	-	-	-	-	(223)
Total Stockholders' Equity	\$ 88,862	\$ 81,001	\$ 76,490	\$ 73,832	\$ 75,636
<u>Earnings for the Year</u>					
Consolidated Net Income	\$ 8,948	\$ 9,391	\$ 6,214	\$ 4,240	\$ 5,773
Net Interest Income	35,287	33,033	32,135	32,208	31,156
Non Interest Income	9,756	11,251	9,024	8,019	9,902
Non Interest Expense	33,681	32,745	31,952	32,559	31,716
Cash Dividends	3,680	3,484	3,421	3,421	3,421
<u>Per Share Data</u>					
Net Income	\$ 5.74	\$ 6.04	\$ 4.00	\$ 2.73	\$ 3.71
Cash Dividends	2.36	2.24	2.20	2.20	2.20
Book Value at Year-end	56.96	52.09	49.19	47.48	48.48
Return on Average Assets	1.02 %	1.09 %	0.80 %	0.52 %	0.73 %
Return on Equity	10.07 %	11.59 %	8.12 %	5.74 %	7.63 %

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
JD Bancshares, Inc. and Subsidiaries
Jennings, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JD Bancshares, Inc. and its Subsidiaries which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of JD Bancshares, Inc. and its Subsidiaries as of December 31, 2019 and 2018, and the consolidated results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 26, 2020

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

A S S E T S

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and due from banks	\$ 30,370,741	\$ 29,683,956
Interest bearing deposits in other banks	11,982,637	9,593,917
Securities available-for-sale	151,776,832	126,407,972
Securities held-to-maturity	18,153,881	22,407,606
Other stocks, at cost	9,661,137	8,313,337
Loans held for sale	1,041,433	745,636
Loans held for investment, less allowances for loan losses of \$6,609,792 and \$6,384,541 at December 31, 2019 and 2018, respectively	614,124,365	619,029,500
Accrued interest receivable	3,456,612	2,910,149
Bank premises and equipment, net	24,335,809	25,371,073
Other real estate owned	955,977	631,862
Goodwill and other intangibles	4,179,545	4,340,107
Life insurance contracts	13,665,452	13,375,172
Other assets	<u>1,344,334</u>	<u>1,877,891</u>
 Total Assets	 <u>\$ 885,048,755</u>	 <u>\$ 864,688,178</u>

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

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES</u>		
Deposits		
Demand deposit accounts, non-interest bearing	\$ 268,308,601	\$ 266,912,090
Demand deposit accounts, interest bearing	158,753,031	153,906,870
Individual retirement accounts	16,008,273	17,760,788
Savings and money market accounts	230,802,150	221,720,112
Certificates of deposit - \$250,000 and over	38,119,218	39,647,725
Other certificates of deposit	60,111,769	58,874,849
	<u>772,103,042</u>	<u>758,822,434</u>
Securities sold under repurchase agreements	329,257	451,471
Other borrowed funds	3,011,367	3,253,314
Accrued interest payable	762,397	643,191
Accrued expenses and other liabilities	1,899,340	2,485,899
Subordinated debentures	17,161,187	17,112,781
Dividends payable	920,400	917,542
Total liabilities	<u>796,186,990</u>	<u>783,686,632</u>
<u>STOCKHOLDERS' EQUITY</u>		
Preferred stock; no par value; 2,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock; \$6.25 par value; 10,000,000 shares authorized; 1,560,000 shares issued and outstanding at December 31, 2019 and 1,555,156 shares issued and outstanding at December 31, 2018	9,750,000	9,719,725
Additional paid-in-capital	3,849,468	3,598,000
Retained earnings	74,341,071	69,073,330
Notes receivable for common stock	(349,050)	-
Accumulated other comprehensive (loss) income	1,270,276	(1,389,509)
	<u>88,861,765</u>	<u>81,001,546</u>
Total stockholders' equity	<u>88,861,765</u>	<u>81,001,546</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 885,048,755</u></u>	<u><u>\$ 864,688,178</u></u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>INTEREST INCOME</u>		
Interest and fees on loans	\$ 34,905,666	\$ 32,448,867
Investment securities:		
Taxable	2,054,132	2,390,282
Non-taxable	2,381,914	1,885,809
Federal funds sold and interest bearing deposits in other banks	<u>771,523</u>	<u>564,083</u>
Total interest income	<u>40,113,235</u>	<u>37,289,041</u>
 <u>INTEREST EXPENSE</u>		
Interest on deposits	3,207,717	2,493,002
Interest on subordinated notes	1,229,652	1,229,652
Interest on federal funds purchased and securities sold under repurchase agreement	<u>388,608</u>	<u>533,124</u>
Total interest expense	<u>4,825,977</u>	<u>4,255,778</u>
 <u>NET INTEREST INCOME</u>	 35,287,258	 33,033,263
 Provision for loan losses	 <u>696,425</u>	 <u>189,000</u>
 <u>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</u>	 <u>34,590,833</u>	 <u>32,844,263</u>
 <u>NONINTEREST INCOME</u>		
Service charges and fees on deposit accounts	7,034,025	6,913,932
Trust department income	504,518	477,817
Fees and commissions from securities brokerage	600,586	438,548
Gain on sale of mortgage loans held for sale	565,132	523,041
Realized gains on sale of investments	388,398	5,386
Other income	<u>663,454</u>	<u>2,892,254</u>
	<u>9,756,113</u>	<u>11,250,978</u>

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

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	\$ 18,120,720	\$ 18,060,123
Occupancy expenses	5,496,411	5,272,077
Computer and processing expenses	3,084,244	2,163,480
Business promotion and advertising expenses	1,188,464	1,178,386
Other operating expenses	<u>5,790,726</u>	<u>6,071,040</u>
	<u>33,680,565</u>	<u>32,745,106</u>
 <u>INCOME BEFORE INCOME TAX EXPENSE</u>	 10,666,381	 11,350,135
 Income tax expense	 <u>1,718,533</u>	 <u>1,959,081</u>
 <u>NET INCOME</u>	 <u>\$ 8,947,848</u>	 <u>\$ 9,391,054</u>
 <u>Per common share data:</u>		
Earnings	<u>\$ 5.74</u>	<u>\$ 6.04</u>
Weighted average number of shares outstanding	<u>1,558,876</u>	<u>1,555,156</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>NET INCOME</u>	<u>\$ 8,947,848</u>	<u>\$ 9,391,054</u>
<u>OTHER COMPREHENSIVE INCOME (LOSS)</u>		
Unrealized gains on securities:		
Unrealized holdings gains/losses arising during the period, net of tax of \$788,108 and (\$347,951), respectively	2,352,952	(1,400,173)
Less: reclassification adjustments for gains included in net income, net of tax of \$81,564 and \$1,131, respectively	<u>306,833</u>	<u>4,255</u>
Total other comprehensive income (loss)	<u>2,659,785</u>	<u>(1,395,918)</u>
<u>TOTAL COMPREHENSIVE INCOME</u>	<u><u>\$ 11,607,633</u></u>	<u><u>\$ 7,995,136</u></u>

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

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Common Stock</u>		<u>Notes</u>	<u>Additional</u>	<u>Retained</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Receivable</u>	<u>Paid-in-Capital</u>	<u>Earnings</u>	<u>Other</u>	<u>Total</u>
						<u>Comprehensive</u>	
						<u>Income (Loss)</u>	
Balance at December 31, 2017	1,555,156	\$ 9,719,725	\$ -	\$ 3,598,000	\$ 63,165,825	\$ 6,409	\$ 76,489,959
Net income	-	-	-	-	9,391,054	-	9,391,054
Other Comprehensive Loss	-	-	-	-	-	(1,395,918)	(1,395,918)
Dividends on common stock, \$.55 per share					(2,566,007)		(2,566,007)
Dividends on common stock, \$.59 per share	-	-	-	-	(917,542)	-	(917,542)
Balance at December 31, 2018	1,555,156	9,719,725	-	3,598,000	69,073,330	(1,389,509)	81,001,546
Net income	-	-	-	-	8,947,848	-	8,947,848
Issued 4,844 shares common stock	4,844	30,275	-	251,468	-	-	281,743
Notes receivable for common stock	-	-	(349,050)	-	-	-	(349,050)
Other Comprehensive Income	-	-	-	-	-	2,659,785	2,659,785
Dividends on common stock, \$.59 per share	-	-	-	-	(3,680,107)	-	(3,680,107)
Balance at December 31, 2019	<u>1,560,000</u>	<u>\$ 9,750,000</u>	<u>\$ (349,050)</u>	<u>\$ 3,849,468</u>	<u>\$ 74,341,071</u>	<u>\$ 1,270,276</u>	<u>\$ 88,861,765</u>

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

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 8,947,848	\$ 9,391,054
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,549,313	2,432,267
Provision for loan losses	696,425	189,000
Non-cash change in cash surrender value of life insurance	(290,280)	(291,848)
Write-down of other real estate	224,602	468,562
Premium amortization, net	685,644	1,176,103
Amortization of goodwill and core deposit intangible	160,562	160,596
Deferred income taxes	(129,275)	49,359
Loss (gain) on sales of other real estate and property	250	(122,810)
Gain on sales of bank premises and equipment	-	(33,480)
Gain on the sale of securities	(388,398)	(5,386)
Net change in operating assets and liabilities:		
Other operating assets and liabilities	(630,271)	729,423
Loans held for sale	(295,797)	56,577
Interest receivable	(546,463)	(17,687)
Interest payable	119,206	65,114
Net cash provided by operating activities	<u>11,103,366</u>	<u>14,246,844</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Maturities/sales of available-for-sale securities	80,072,809	23,943,385
Maturities of held to maturity securities	4,148,072	2,445,015
Purchases of available-for-sale securities	(103,566,327)	(11,627,382)
Purchases of held to maturity securities	-	(938,000)
Loan originations, net of principal repayment	3,128,461	(21,509,903)
Net (increase) decrease in interest bearing deposits in other banks	(2,388,720)	10,905,322
Purchases of bank premises and equipment	(1,514,049)	(2,060,822)
Proceeds from sales of bank premises and equipment	-	93,460
Proceeds from sales of other real estate and property	531,282	1,274,155
Net cash (used in) provided by investing activities	<u>(19,588,472)</u>	<u>2,525,230</u>

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

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net increase in deposits	13,280,608	25,681,758
Net decrease in other borrowed funds and repurchase agreements	(364,161)	(35,161,886)
Net increase in dividends payable	2,858	62,206
Payment of dividends	(3,680,107)	(3,483,549)
Proceeds from issuance of common stock	281,743	-
Note receivable for common stock	(349,050)	-
Net cash provided by (used in) financing activities	<u>9,171,891</u>	<u>(12,901,471)</u>
Net increase in cash and cash equivalents	686,785	3,870,603
Cash and cash equivalents - beginning of year	<u>29,683,956</u>	<u>25,813,353</u>
Cash and cash equivalents - end of year	<u>\$ 30,370,741</u>	<u>\$ 29,683,956</u>

Supplemental disclosures of cash flow information:

Cash paid for interest	<u>\$ 5,412,536</u>	<u>\$ 4,139,037</u>
Cash paid for income taxes	<u>\$ 2,141,750</u>	<u>\$ 1,789,900</u>
Transfer of loans to other real estate	<u>\$ 1,080,249</u>	<u>\$ 795,966</u>

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

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The accounting and reporting policies of JD Bancshares, Inc. (the Company) and its Subsidiaries conform to the accounting principles generally accepted in the United States of America and the prevailing practices within the banking industry. A summary of significant accounting policies is as follows:

Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, JD Bank (the “Bank”) and JD Bank Insurance, LLC (formerly JD Prime Financial Services, LLC), the owner of an insurance agency. All significant intercompany accounts and transactions have been eliminated. Assets held in an agency or fiduciary capacity are not assets of the Bank and, accordingly, are not included in the accompanying consolidated financial statements. The Company operates as a community bank in southern Louisiana.

Nature of operations

The Bank provides a variety of banking services to individuals and businesses primarily in and around Southwest Louisiana. The Bank’s primary deposit products are demand deposits, savings deposits, and certificates of deposits, and its primary lending products are commercial, business, real estate, and consumer loans.

Comprehensive income

Comprehensive income includes net earnings and other comprehensive income (loss) which, in the case of the Company, includes only unrealized gains and losses on securities available-for-sale, net of tax.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

The Bank’s loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors’ ability to honor their contracts is dependent on local economic conditions and the real estate industry.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Use of estimates (continued)

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

Other estimates that are susceptible to significant change in the near term relate to the determination of the valuation of deferred tax assets, other-than-temporary impairments of securities, and the fair value of financial instruments.

Interest bearing deposits in other banks

Interest bearing deposits in other banks mature within one year and are carried at cost, which approximates market.

Securities

Securities are accounted for in accordance with applicable guidance contained in the Accounting Standards Codification (ASC) which requires the classification of securities into one of three categories: trading, available-for-sale, or held-to-maturity.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates this classification periodically. Trading account securities are held for resale in anticipation of short-term market movements. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities not classified as held-to-maturity or trading are classified as available-for-sale. The Company had no significant trading account securities during the years ended December 31, 2019 and 2018. Held-to-maturity securities are stated at amortized cost. Available-for-sale securities are stated at fair value, with unrealized gains and losses, net of income taxes, reported as other comprehensive income (loss) until realized.

The Financial Accounting Standards Board (FASB) issued accounting guidance related to the recognition and presentation of other-than-temporary impairment. The accounting guidance specifies that (a) if a Company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Securities (continued)

The Bank adopted the provision in Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities*. The main provisions of this update are to eliminate the available-for-sale classification of accounting for equity securities and to adjust the fair value disclosures for financial instruments carried at amortized cost such that the disclosed fair values represent an exit price as opposed to an entry price. The provisions of this update require that equity securities be carried at fair market value on the balance sheet and any periodic changes in market value are adjustments to the income statement. A practical expedient is provided for equity securities without a readily determinable fair value, such that these securities can be carried at cost less any impairment. The provision of this update also eliminated certain disclosures related to the assumptions used to measure fair value for assets and liabilities recorded at cost. The disclosure of fair value of the loan and interest-bearing deposit portfolios will be presented using an exit price method instead of the current discounted cash flow.

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. Amortization, accretion, and interest are included in interest income on securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

Other Stocks

The Bank, as a member of the Federal Home Loan Bank (FHLB) system and various other institutions, is required to maintain an investment in capital stock of each entity. Based on the redemption provisions of the FHLB and other institutions, the stocks have no quoted market value and are carried at cost. At their discretion, the companies may declare dividends on the stocks. Management reviews for impairment based on the ultimate recoverability of the cost basis of these stocks.

Derivative instruments

The Company recognizes all derivatives as either assets or liabilities in the Company's consolidated balance sheets and measures those instruments at fair value. If certain conditions are met, a derivative may be specially designated as a hedge. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Company is not currently engaged in any activities with derivatives.

Loans

The Company grants commercial, real estate, and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans in Southwest Louisiana. The ability of the Company's creditors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

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 any unamortized deferred fees or costs on originated loans. Unearned discount relates principally to consumer installment loans. Interest on loans is credited to operations based on the unpaid principal amount outstanding using methods that approximate the interest method.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Loans (continued)

The Company follows the accounting guidance on sales of financial assets, which includes participating interests in loans. For loan participations that are structured in accordance with this guidance, the sold portions are recorded as a reduction of the loan portfolio. Loan participations that do not meet the criteria are accounted for as secured borrowings. Application of this guidance also delays the accounting recognition for sales of the guaranteed portions of SBA loans for 90 days.

Certain loan origination fees and certain direct origination costs are deferred and recognized as an adjustment to the yield on the related loan. Interest on loans is recorded to income as earned. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Past due status is based on the contractual terms of the loan. All unpaid accrued interest is reversed and payments subsequently received are applied first to principal. Interest income is recorded after principal has been satisfied and as payments are received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Company considers a loan to be impaired when, based upon current information and events, it believes it is probable that the Company will be unable to collect all amounts 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. The Company's impaired loans include troubled debt restructurings, and performing and non-performing major loans for which full payment of principal or interest is not expected. Non-major homogenous loans, which are evaluated on an overall basis, generally include all loans under \$100,000. The Company calculates an allowance required for impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of its collateral. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance is required as a component of the allowance for loan losses. Changes to the valuation allowance are recorded as a component of the provision for loan losses.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value. Mortgage loans held for sale are sold with mortgage servicing rights released by the Bank.

Gains and losses on the sale of loans are accounted for by imputing gain or loss by charging a varying premium and servicing fee to the buyer. The gain or loss is increased or reduced by the amount of fees carried on the loan. Such gains and losses are recognized as loan fees in the financial statements for the year of sale.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Allowance for loan losses

The allowance for loan losses is a valuation allowance available for losses incurred on loans. All losses are charged to the allowance for loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance at the time of recovery. Periodically, during the year, management estimates the likely level of existing losses to determine whether the allowance for loan losses is adequate to absorb reasonably anticipated losses in the existing portfolio. Management also evaluates the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions.

This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Based on these estimates, an amount is charged to the provision for loan losses and credited to the allowance for loan losses in order to adjust the allowance to a level determined to be adequate to absorb existing losses. It should be understood that estimates of loan losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the consolidated balance sheets is adequate to absorb probable losses in the existing loan portfolio.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For these loans that are impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the borrower that the Bank would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Bank grants the borrower new terms that provide for a reduction of either interest or principal, the Bank measures and records any impairment on the restructuring as previously noted for impaired loans.

Bank premises and equipment

Bank premises and equipment are stated at cost less accumulated depreciation, which is computed using straight-line and accelerated methods over the estimated useful lives of the assets, which range from 3 to 39 years.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Other real estate owned

Other real estate owned is reported at the lower of cost or fair value at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Real estate and other property acquired in lieu of loan balances, net of an appropriate reserve for possible losses, are included in the accompanying consolidated balance sheet. Operating expenses of such properties, net of related income, are included in other operating expenses. Gains and losses on their disposition are included in other operating income.

Intangible Assets

The Company has no intangible assets having indefinite lives other than goodwill. Intangible assets, such as core deposit intangibles, with determinable useful lives are amortized over their respective useful lives. Goodwill does not require amortization, but it is subject to a periodic impairment test. The Company has performed impairment tests on its goodwill and determined that there is no impairment at December 31, 2019 or 2018.

Credit related financial information

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

Statements of cash flows

The Company has defined cash equivalents as the amount in the consolidated balance sheet caption "Cash and Due from Banks" and "Federal Funds Sold," if any exist at year-end.

Life insurance contracts

Life insurance contracts represent single premium life insurance contracts on the lives of certain officers of the Company. The Company is the owner of these policies, which were purchased in 2003 for \$4,000,000, 2007 for \$1,725,000, 2010 for \$1,000,000 and in 2014 for \$4,000,000 as a vehicle to fund split dollar endorsement plans. These contracts are reported at their cash surrender value and changes in the cash surrender value are included in other income and amounted to \$290,280 and \$291,848 in 2019 and 2018, respectively.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Income taxes

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income as part of income tax expense or benefit for the period that includes the enactment date.

The Company follows the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent.

A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance, if based on the weight of evidence available, it is more likely than not that some portion or all of deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Earnings per share

Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period.

During the year ended December 31, 2019, the Company increased the authority to issue common stock from 3,072,000 shares to 10,000,000 shares, each having a par value of six and 25/100 (\$6.25) dollars. Additionally, the Company authorized the issuance of 2,000,000 shares of preferred stock, each having no par value.

Postretirement Benefits

The Company adopted accounting guidance related to postretirement benefits for certain employees. The Company has effectively agreed to maintain a life insurance policy during the employees' retirement.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Revenue Recognition

Effective January 1, 2019, the Bank adopted the Financial Accounting Standard Board's ("FASB") Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (Topic 606) and all subsequent ASUs that modified Topic 606. As the standard does not apply to revenue associated with receivables or financial instruments, net interest income, gains and losses from investment securities, and mortgage originations are not impacted by the standard. The Bank has identified certain recurring revenue streams related to noninterest income which are within the scope of Topic 606, as described below.

Service charges and fee income include deposit and lending-related fees. Deposit-related fees consist of fees earned on customer activities and are generally recognized when the transactions occur or as the service is performed. Fees are earned on deposit accounts for account maintenance and various transaction-based services, such as ATM transactions, wire transfer activities, check and money order processing and insufficient funds/overdraft transactions. Lending-related fees generally represent transactional fees earned from late payments and other miscellaneous fees.

Trust fee revenue represents fees charged by the Bank for administration, investment management, and other ordinary expenses. Trust fees are recorded as earned. The fees charged are as a percentage of the assets held in the trust and the amount of services provided.

Fees and commissions from securities brokerage are related to referral of business. The fees and commissions are recorded as earned.

Card interchange fees are recognized upon settlement of debit card payment transactions and are generally determined on fixed rates for debit cards based on the corresponding payment network's rates.

There are no significant judgments relating to the amount and timing of revenue recognition for revenue streams within the scope of Topic 606. Due to the nature of the services provided, the Bank does not incur costs to obtain contracts and there are no material incremental costs to fulfill these contracts that should be capitalized. Additionally, there are no material contract assets or receivables as the Bank does not typically enter into long-term revenue contracts with its customers.

The implementation of the new standard did not have a material impact on the measurement or recognition of revenue for any of the identified in-scope revenue streams and a cumulative effect adjustment to opening undivided earnings was not necessary. Results for reporting periods after January 1, 2019, are presented under Topic 606 using the modified retrospective transition method.

Reclassification

Certain amounts in the prior year consolidated financial statements have been reclassified to conform with the current year presentation.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Accounting pronouncements issued but not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the consolidated balance sheets as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2020.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The revised accounting guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a company's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses of available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective for annual periods beginning after December 15, 2022.

The Company is currently assessing the impact of these pronouncements on its financial statements.

2. Cash and due from banks

The Bank is required to maintain certain cash balances relating to its deposit liabilities. This requirement is ordinarily satisfied by cash on hand.

3. Investment securities

Debt and equity securities have been classified in the balance sheets according to management's intent. The amortized cost and estimated fair value of securities classified as available-for-sale at December 31, 2019, consisted of the following:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Mortgage-backed securities	\$ 52,517,040	\$ 100,160	\$ (849,658)	\$ 51,767,542
States and political subdivisions	90,387,792	2,235,895	-	92,623,687
Corporate Bonds	<u>7,264,810</u>	<u>120,793</u>	-	<u>7,385,603</u>
Totals	<u>\$ 150,169,642</u>	<u>\$ 2,456,848</u>	<u>\$ (849,658)</u>	<u>\$ 151,776,832</u>

At December 31, 2019, the Company held no securities of any single issuer (excluding the U.S. government and federal agencies) with a book value that exceeded 10% of stockholders' equity.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investment securities (continued)

Securities classified as held-to-maturity at December 31, 2019, consisted of the following:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
States and political subdivisions	\$ 18,153,881	\$ 43,888	\$ (513)	\$ 18,197,256

Securities classified as available-for-sale at December 31, 2018, consisted of the following:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Mortgage-backed securities	\$ 92,950,088	\$ 212,849	\$ (2,220,884)	\$ 90,942,053
States and political subdivisions	30,511,972	362,339	(131,648)	30,742,663
Corporate Bonds	4,703,218	26,259	(6,221)	4,723,256
Totals	\$ 128,165,278	\$ 601,447	\$ (2,358,753)	\$ 126,407,972

During 2014, the Company transferred securities with a fair value of approximately \$27,452,000 from the available-for-sale category to the held-to-maturity category. As of December 31, 2019 and 2018, approximately \$43,400 and \$13,600, respectively, of unrealized gains are included in other comprehensive income and will be amortized over the remaining life of the security as an adjustment of yield.

Securities classified as held-to-maturity at December 31, 2018, consisted of the following:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
States and political subdivisions	\$ 22,407,606	\$ 53,515	\$ (39,948)	\$ 22,421,173

The amortized costs and estimated market values of debt securities at December 31, 2019, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Available-for-Sale:	<u>Amortized Cost</u>	<u>Fair Value</u>
Within one year	\$ 281,899	\$ 285,874
Greater than one but within five years	2,770,049	2,766,458
Greater than five but within ten years	10,299,261	10,457,797
Greater than ten years	136,818,433	138,266,703
	<u>\$ 150,169,642</u>	<u>\$ 151,776,832</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investment securities (continued)

Held-to-Maturity:	Amortized Cost
Within one year	\$ 2,190,283
Greater than one but within five years	7,688,393
Greater than five but within ten years	4,712,527
Greater than ten years	3,562,678
	<u>\$ 18,153,881</u>

Investment securities with carrying values of approximately \$1,490,000 and \$2,197,000 at December 31, 2019 and 2018, respectively, were pledged to secure public deposits and securities sold under repurchase agreements and for other purposes as required or permitted by law. At December 31, 2019, JD Bank also has a \$95,000,000 fluctuating balance letter of credit with Federal Home Loan Bank of Dallas for the purpose of securing public funds, of which, \$90,820,000 was pledged.

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

Available-for-sale:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
Mortgage-backed Securities	<u>25</u>	<u>\$ (711,744)</u>	<u>\$ 40,345,767</u>	<u>5</u>	<u>\$ (137,914)</u>	<u>\$ 3,960,999</u>

Held-to-maturity:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
State and political Subdivisions	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2</u>	<u>\$ (513)</u>	<u>\$ 204,533</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investment securities (continued)

Information pertaining to securities with gross unrealized losses at December 31, 2018, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, follows:

Available-for-sale:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
Mortgage-backed Securities	2	\$ (26,278)	\$ 1,406,378	44	\$ (2,194,606)	\$ 83,367,603
State and political Subdivisions	5	(37,134)	4,529,256	7	(94,514)	3,646,312
Corporate Bonds	2	(6,221)	1,443,779	0	-	-
Totals	9	\$ (69,633)	\$ 7,379,413	51	\$ (2,289,120)	\$ 87,013,915

Held-to-maturity:

	Less than twelve months			Over twelve months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
State and political Subdivisions	7	\$ (1,815)	\$ 715,855	17	\$ (38,133)	\$ 2,949,849

Most of these unrealized losses result from securities which were purchased at a premium in anticipation of a more stable interest rate environment. Management and the Asset/Liability Committee are continually monitoring the securities portfolio. Accordingly, management is able to effectively measure and monitor the unrealized loss position on these securities and because the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2019. Additionally, the Company believes that its premium amortization policies are appropriate and will result in a reasonable return on these investments being recorded in the statements of operations.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses

The components of loans in the consolidated balance sheets at December 31, 2019 and 2018 were as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Commercial loans	\$ 84,212	\$ 85,199
Commercial real estate loans	254,791	255,601
Consumer loans	34,617	33,877
Residential loans	<u>247,114</u>	<u>250,737</u>
	620,734	625,414
Allowances for loan losses	<u>(6,610)</u>	<u>(6,385)</u>
Loans, net	<u>\$ 614,124</u>	<u>\$ 619,029</u>

The Bank has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Bank's portfolio. For purposes of determining the allowance for loan losses, the Bank segments loans in its portfolio by class code. The models and assumptions the Bank uses to determine the allowance are reviewed internally to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

The Bank's Estimation Process

The Bank estimates loan losses using a 5 year weighted average historical loss percentage for all loans, which are based on historical loss percentage and estimated losses on individually evaluated impaired loans. Management then applies judgment to develop its own view of loss probability using external and internal parameters with the objective of establishing an allowance for the losses inherent for these portfolios as of the reporting date.

Substantially all of the Bank's consumer loans are secured by collateral. In order to track and measure the risk of nonperformance for these loans, the Bank periodically obtains updated credit scores for all loans and considers local economic factors which may affect collateral values.

Reflected in the portions of the allowance previously described is an amount for uncertainty inherent in estimates used for the allowance, which may change from period to period. This amount is the result of management's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Bank's view of risk in the loan portfolio. No single statistic or measurement determines the adequacy of the allowance for loan loss. Changes in the allowance for loan loss and the related provision expense can materially affect net income.

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the consolidated balance sheet date. The Bank considers the allowance for loan losses of \$6,609,792 and \$6,384,541 adequate to cover loan losses inherent in the loan portfolio at December 31, 2019 and 2018 respectively. The following table presents, by loan segment, the changes in the allowance for loan losses and the recorded investment in loans.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Allowance for Loan Losses and Recorded Investment in Loans
For the Year Ended December 31, 2019

	Commercial	Commercial Real Estate	Consumer	Residential	Total
Allowance for Loan Losses (in thousands):					
Beginning balance	\$ 808	\$ 1,905	\$ 974	\$ 2,697	\$ 6,384
Charge-offs	(94)	-	(256)	(318)	(668)
Recoveries	20	-	140	37	197
Provision	98	-	267	332	697
Ending balance	<u>\$ 832</u>	<u>\$ 1,905</u>	<u>\$ 1,125</u>	<u>\$ 2,748</u>	<u>\$ 6,610</u>
Ending allowance balance, individually evaluated for impairment	<u>\$ 813</u>	<u>\$ 345</u>	<u>\$ 12</u>	<u>\$ 277</u>	<u>\$ 1,447</u>
Ending allowance balance, collectively evaluated for impairment	<u>\$ 19</u>	<u>\$ 1,560</u>	<u>\$ 1,113</u>	<u>\$ 2,471</u>	<u>\$ 5,163</u>
Loans (in thousands):					
Ending total loan balance	<u>\$ 84,212</u>	<u>\$ 254,791</u>	<u>\$ 34,617</u>	<u>\$ 247,114</u>	<u>\$ 620,734</u>
Ending loan balance, individually evaluated for impairment	<u>\$ 7,512</u>	<u>\$ 23,087</u>	<u>\$ 641</u>	<u>\$ 10,520</u>	<u>\$ 41,760</u>
Ending loan balance, collectively evaluated for impairment	<u>\$ 76,700</u>	<u>\$ 231,704</u>	<u>\$ 33,976</u>	<u>\$ 236,594</u>	<u>\$ 578,974</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Allowance for Loan Losses and Recorded Investment in Loans
For the Year Ended December 31, 2018

	Commercial	Commercial Real Estate	Consumer	Residential	Total
Allowance for Loan Losses (in thousands):					
Beginning balance	\$ 989	\$ 1,905	\$ 1,126	\$ 2,672	\$ 6,692
Charge-offs	(314)	-	(369)	(284)	(967)
Recoveries	72	-	145	254	471
Provision	61	-	72	56	189
Ending balance	<u>\$ 808</u>	<u>\$ 1,905</u>	<u>\$ 974</u>	<u>\$ 2,698</u>	<u>\$ 6,385</u>
Ending allowance balance, individually evaluated for impairment	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 55</u>	<u>\$ 145</u>
Ending allowance balance, collectively evaluated for impairment	<u>\$ 755</u>	<u>\$ 1,905</u>	<u>\$ 937</u>	<u>\$ 2,643</u>	<u>\$ 6,240</u>
Loans (in thousands):					
Ending total loan balance	<u>\$ 85,199</u>	<u>\$ 255,601</u>	<u>\$ 33,877</u>	<u>\$ 250,737</u>	<u>\$ 625,414</u>
Ending loan balance, individually evaluated for impairment	<u>\$ 4,137</u>	<u>\$ 11,397</u>	<u>\$ 817</u>	<u>\$ 13,248</u>	<u>\$ 29,599</u>
Ending loan balance, collectively evaluated for impairment	<u>\$ 81,062</u>	<u>\$ 244,204</u>	<u>\$ 33,060</u>	<u>\$ 237,489</u>	<u>\$ 595,815</u>

Credit Quality Information

All loans are subject to individual risk assessments using the following factors: ability of borrower to pay, financial condition of borrower, management ability of the borrower, collateral and guarantors, loan structure, and industry and economics. The Bank uses the following risk rating definitions to assess risk within the loan portfolio.

a) **Loans Not Adversely Classified:**

1 – High Quality – High quality loans are characterized by liquid collateral adequately margined and/or supported by a strong financial statement of recent date that is unquestionably reliable. Character of endorsers or guarantors is unquestionable. The business or individual is consistently above its peers. The borrower is characterized by liquidity, minimum risks, significant earning capacity and low handling costs (reflect no loss under any conceivable situation).

2 - Desirable – Reflects strong, current financial statements and/or secured by collateral that is adequately margined to cover total debt plus any collection costs incurred in foreclosure if necessary. Primary, as well as secondary, source of repayment is evident. A defined agreed upon repayment schedule over a reasonable period exists.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Credit Quality Information (continued)

a) Loans Not Adversely Classified:

3 - Satisfactory – Satisfactory loans of average strength, having some deficiency or vulnerability to changing economics or industry conditions but currently collectible. Secured loan lacking in margin and/or liquidity. Assets supporting loans are generally non liquid and/or some form of documentation of support and/or repayment ability may be deficient or lacking.

4 – Pass/Watch – This is a warning classification which portrays one or more deficiencies that has potential weakness that may result in deterioration of repayment prospects for the asset or in the Bank's credit position at some future date. This is not adversely classified. Apparent deterioration in financial condition of credit is evident and deserves immediate attention and correction of its causes by the lending staff in order to prevent further deterioration of the Bank's position.

5 - Special Mention – loans which are superior in quality to those classified substandard, doubtful, or loss but which are believed to warrant more than usual management attention. Loans in this category are not considered to be classified because they are currently protected but are potentially weak. They constitute an undue and unwarranted credit risk. Economic or market conditions may affect the borrower in the future. Adverse trends or an unbalanced financial position have not reached a point where liquidation of the debt is jeopardized, but that point could be reached in the future if trends continue.

b) Loans Adversely Classified:

Classified loans in this group are comprised of loans that have undue and unwarranted credit risk, may be inadequately protected by current sound worth and/or collection or liquidation in full is questionable, but because of certain reasonably specific pending factors which may strengthen the credit, its classification of a loss is deferred until a more exact status can be determined. The Bank uses the following risk rating definitions to assess risk within the loan portfolio. "Classified" categories are:

6 - Substandard – loans that are inadequately protected by current sound worth and paying capacity of the borrower, or pledged collateral, if any, or represents a protracted workout. These loans must have well defined weaknesses that are characterized by the distinct possibility that the Bank will sustain a loss if the deficiencies are not corrected.

7 - Doubtful – loans that have all the weaknesses inherent in a substandard loan plus their collection or liquidation in full is highly questionable. The possibility of loss is extremely high, but because of certain reasonably specific pending factors which may strengthen the credit, its classification as a loss is deferred until a more exact status can be determined.

8 - Loss – loans that are considered uncollectible in full within a reasonable length of time and are of such little value that their continuance as an active asset is not warranted. This classification does not mean that there is no possibility of recovery or salvage value, but rather it is not practical to defer writing off the asset even though a partial recovery may be made in the future.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Credit Quality Information (continued)

The Bank uses the following risk rating definitions to assess risk within the consumer and residential loan portfolio.

Pass – loans not meeting the special mention, doubtful, and substandard ratings are considered to be pass rated loans.

Special Mention – loans which are superior in quality to those classified substandard, doubtful, or loss but which are believed to warrant more than usual management attention. Loans in this category are not considered to be classified because they are currently protected but are potentially weak. They constitute an undue and unwarranted credit risk. Economic or market conditions may affect the borrower in the future. Adverse trends or an unbalanced financial position have not reached a point where liquidation of the debt is jeopardized, but that point could be reached in the future if trends continue.

Substandard – loans that are inadequately protected by current sound worth and paying capacity of the borrower, or pledged collateral, if any, or represents a protracted workout. These loans must have well defined weaknesses that are characterized by the distinct possibility that the Bank will sustain a loss if the deficiencies are not corrected.

Doubtful – loans that have all the weaknesses inherent in a substandard loan plus their collection or liquidation in full is highly questionable. The possibility of loss is extremely high, but because of certain reasonably specific pending factors which may strengthen the credit, its classification as a loss is deferred until a more exact status can be determined.

Loss – loans that are considered uncollectible in full within a reasonable length of time and are of such little value that their continuance as an active asset is not warranted. This classification does not mean that there is no possibility of recovery or salvage value, but rather it is not practical to defer writing off the asset even though a partial recovery may be made in the future.

Performing – loans not meeting the non-performing criteria are considered to be performing.

Non-performing – loans which are past due greater than 90 days and still accruing interest and loans on nonaccrual.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Credit Quality Information (continued)

The table below presents classes of outstanding loans by risk category (in thousands):

Credit Quality Indicators
Credit Risk Profile by Creditworthiness Category by Class of Loan
December 31, 2019

	Commercial Loans	Commercial Real Estate	Residential Loans	Consumer Loans
Risk Rating 1	\$ 1,877	\$ 959	\$ -	\$ -
Risk Rating 2	11,745	85,482	-	-
Risk Rating 3	52,034	141,419	-	-
Risk Rating 4	3,099	5,199	-	-
Risk Rating 5	10,326	9,886	-	-
Risk Rating 6	4,842	10,937	-	-
Risk Rating 7	289	909	-	-
Risk Rating 8	-	-	-	-
Pass	-	-	238,438	-
Special Mention	-	-	142	-
Substandard	-	-	8,534	-
Doubtful	-	-	-	-
Performing	-	-	-	34,296
Non-performing	-	-	-	321
Total	<u>\$ 84,212</u>	<u>\$ 254,791</u>	<u>\$ 247,114</u>	<u>\$ 34,617</u>

Credit Quality Indicators
Credit Risk Profile by Creditworthiness Category by Class of Loan
December 31, 2018

	Commercial Loans	Commercial Real Estate	Residential Loans	Consumer Loans
Risk Rating 1	\$ 783	\$ 1,938	\$ -	\$ -
Risk Rating 2	32,543	116,367	-	-
Risk Rating 3	44,670	109,636	-	-
Risk Rating 4	1,026	7,561	-	-
Risk Rating 5	4,228	10,623	-	-
Risk Rating 6	1,241	8,500	-	-
Risk Rating 7	708	976	-	-
Risk Rating 8	-	-	-	-
Pass	-	-	242,661	-
Special Mention	-	-	189	-
Substandard	-	-	7,887	-
Doubtful	-	-	-	-
Performing	-	-	-	33,499
Non-performing	-	-	-	378
Total	<u>\$ 85,199</u>	<u>\$ 255,601</u>	<u>\$ 250,737</u>	<u>\$ 33,877</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Troubled Debt Restructurings

The following table includes loans modified as TDRs by portfolio class at December 31, 2019:

	Number of	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
	Loans		
<u>Troubled Debt Restructurings:</u>			
Consumer - real estate	19	\$ 1,493,101	\$ 1,397,910
Consumer - other	7	116,160	78,332
Commercial - real estate	6	7,196,560	7,069,179
Commercial - C&I	8	3,899,218	1,896,606
Total	40	<u>\$ 12,705,039</u>	<u>\$ 10,442,027</u>

The following table includes loans modified as TDRs by portfolio class at December 31, 2018:

	Number of	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
	Loans		
<u>Troubled Debt Restructurings:</u>			
Consumer - real estate	9	\$ 1,074,632	\$ 1,090,567
Consumer - other	2	84,748	64,297
Commercial - real estate	2	1,704,557	1,684,829
Commercial - C&I	3	1,710,904	1,654,653
Total	16	<u>\$ 4,574,841</u>	<u>\$ 4,494,346</u>

The modification of the terms of such commercial C&I loans performed during the year ended December 31, 2019 and 2018 included an extension to the maturity of the loans. The modification of the commercial real estate loans performed during the year ended December 31, 2019 and 2018 included an extension of the maturity date at a stated rate of interest lower than the current market rate and a permanent reduction of the recorded investment in the loans. The modification of the consumer real estate loans during the year ended December 31, 2019 and 2018 included a permanent reduction of the recorded investment in the loans and a stated rate of interest lower than the current market rate. The modification of the consumer-other loans during the year ended December 31, 2019 and 2018 included an extension to the maturity of the loans. There were no TDRs modified within the previous twelve months that subsequently redefaulted during the year ended December 31, 2019. The loans are performing in accordance with the modified terms.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Age Analysis of Past Due Loans by Class

Following is a table which includes an aging analysis of the recorded investment of past due loans as of December 31, 2019.

Credit Quality Information
Age Analysis of Past Due Loans by Class of Loan
As of December 31, 2019
(in thousands)

	30-89 Days Past Due	Greater than 90 Days & still accruing	Total Past Due	Nonaccruals	Current	Total Receivables
Commercial	\$ 361	\$ 0	\$ 361	\$ 548	\$ 83,303	\$ 84,212
Commercial Real Estate	238	1	239	2,558	251,994	254,791
Consumer	298	0	298	409	33,910	34,617
Consumer Real Estate	2,353	3	2,356	4,239	240,519	247,114
Ending balance	<u>\$ 3,250</u>	<u>\$ 4</u>	<u>\$ 3,254</u>	<u>\$ 7,754</u>	<u>\$ 609,726</u>	<u>\$ 620,734</u>

Following is a table which includes an aging analysis of the recorded investment of past due loans as of December 31, 2018.

Credit Quality Information
Age Analysis of Past Due Loans by Class of Loan
As of December 31, 2018
(in thousands)

	30-89 Days Past Due	Greater than 90 Days & still accruing	Total Past Due	Nonaccruals	Current	Total Receivables
Commercial	\$ 448	\$ 104	\$ 552	\$ 387	\$ 84,260	\$ 85,199
Commercial Real Estate	358	61	419	273	254,909	255,601
Consumer	246	122	368	379	33,130	33,877
Consumer Real Estate	2,909	2,135	5,044	4,095	241,598	250,737
Ending balance	<u>\$ 3,961</u>	<u>\$ 2,422</u>	<u>\$ 6,383</u>	<u>\$ 5,134</u>	<u>\$ 613,897</u>	<u>\$ 625,414</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Nonaccrual Loans

Generally, consumer loans not secured by real estate or autos are placed on nonaccrual status only when part of the principal has been charged off. These loans are charged off or charged down to the net realizable value of the collateral when deemed uncollectible, due to bankruptcy or other factors.

The Bank places a loan on nonaccrual status, until it qualifies for return to accrual status. Generally, the Bank returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The Bank has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the borrower's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

Impaired Loans

The Bank considers a loan to be impaired when, based on current information and events, the Bank determines that it will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Bank identifies a loan as impaired, the Bank measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Bank uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows.

If the Bank determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Bank recognizes impairment through an allowance estimate or a charge-off to the allowance.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The amount of interest not accrued on impaired loans did not have a significant effect on earnings in 2019 or 2018. The Bank is not committed to lend additional funds to debtors whose loans have been modified.

The following table includes the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable. The Bank determined the specific allowance based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Impaired Loans (continued)

Impaired loans information
Impaired loans by class with no related allowance recorded
As of December 31, 2019
(in thousands)

	<u>Recorded</u> <u>Investment</u>	<u>Unpaid</u> <u>Principal</u> <u>balance</u>	<u>Related</u> <u>allowance</u>	<u>Interest</u> <u>income</u> <u>recognized</u>	<u>Average</u> <u>Recorded</u> <u>Investment</u>
Commercial Loans	\$ 1,158	\$ 1,158	\$ -	\$ 139	\$ 1,590
Commercial R/E Loans	6,048	6,048	-	319	4,003
Consumer Loans	487	487	-	36	443
Residential Loans	5,013	5,013	-	256	5,099
	<u>\$ 12,706</u>	<u>\$ 12,706</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ 11,135</u>

Impaired loans information
Impaired loans by class with an allowance recorded
As of December 31, 2019
(in thousands)

	<u>Recorded</u> <u>Investment</u>	<u>Unpaid</u> <u>Principal</u> <u>balance</u>	<u>Related</u> <u>allowance</u>	<u>Interest</u> <u>income</u> <u>recognized</u>	<u>Average</u> <u>Recorded</u> <u>Investment</u>
Commercial Loans	\$ 7,001	\$ 7,001	\$ 813	\$ 370	\$ 3,536
Commercial R/E Loans	15,076	15,076	345	630	7,538
Consumer Loans	2,459	2,459	12	1	1,303
Residential Loans	4,518	4,518	277	262	2,355
	<u>\$ 29,054</u>	<u>\$ 29,054</u>	<u>\$ 1,447</u>	<u>\$ 1,263</u>	<u>\$ 14,732</u>

Impaired loans information
Impaired loans by class with no related allowance recorded
As of December 31, 2018
(in thousands)

	<u>Recorded</u> <u>Investment</u>	<u>Unpaid</u> <u>Principal</u> <u>balance</u>	<u>Related</u> <u>allowance</u>	<u>Interest</u> <u>income</u> <u>recognized</u>	<u>Average</u> <u>Recorded</u> <u>Investment</u>
Commercial Loans	\$ 2,022	\$ 2,022	\$ -	\$ 36	\$ 1,766
Commercial R/E Loans	1,958	1,958	-	97	1,318
Consumer Loans	399	399	-	33	459
Residential Loans	5,185	5,185	-	256	5,102
	<u>\$ 9,564</u>	<u>\$ 9,564</u>	<u>\$ -</u>	<u>\$ 422</u>	<u>\$ 8,645</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Impaired Loans (continued)

Impaired loans information
Impaired loans by class with an allowance recorded
As of December 31, 2018
(in thousands)

	Recorded <u>Investment</u>	Unpaid Principal <u>balance</u>	Related <u>allowance</u>	Interest income <u>recognized</u>	Average Recorded <u>Investment</u>
Commercial Loans	\$ 2,115	\$ 2,115	\$ 53	\$ 117	\$ 1,080
Commercial R/E Loans	9,439	9,439	-	471	4,720
Consumer Loans	418	418	37	21	468
Residential Loans	<u>8,063</u>	<u>8,063</u>	<u>55</u>	<u>412</u>	<u>4,328</u>
	<u>\$ 20,035</u>	<u>\$ 20,035</u>	<u>\$ 145</u>	<u>\$ 1,021</u>	<u>\$ 10,596</u>

5. Core deposit intangibles

At December 31, 2019 and 2018, the Bank had core deposit intangibles of \$0 and \$160,562, respectively related to the acquisition of Guaranty Bank in 2012. Intangible assets with a determinable useful life are amortized over their useful lives. The Bank's core deposit intangibles have a 7-year life and the estimated amortization expense was \$160,596 in each year, with a final amortization of \$160,562 in 2019.

6. Bank premises and equipment

Components of Bank premises and equipment included in the consolidated balance sheets at December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Buildings and leasehold improvements	\$ 25,868,908	\$ 25,763,659
Equipment	17,650,526	19,312,975
Land	5,406,406	5,406,406
Construction-in-progress	<u>29,264</u>	<u>-</u>
	48,955,104	50,483,040
Less: accumulated depreciation and amortization	<u>(24,619,295)</u>	<u>(25,111,967)</u>
	<u>\$ 24,335,809</u>	<u>\$ 25,371,073</u>

Depreciation expense amounted to \$2,549,313 and \$2,432,267 during the years ended December 31, 2019 and 2018, respectively.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Time deposits

At December 31, 2019, the scheduled maturities of all outstanding certificates of deposit and IRA's were as follows:

Year ending December 31 st	Amount
2020	\$ 75,601,833
2021	14,482,070
2022	12,342,187
2023	5,671,529
Thereafter	6,141,641
	<u>\$ 114,239,260</u>

Included in deposits are \$40,728,536 and \$42,944,457 of certificates of deposit and IRA accounts greater than or equal to \$250,000 at December 31, 2019 and 2018, respectively.

Total interest expense on certificates of deposit and IRA accounts was \$1,515,533 and \$1,025,349 for the years ended December 31, 2019 and 2018, respectively.

8. Other operating expenses

Other operating expenses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Professional fees and expenses	\$ 562,851	\$ 271,618
Regulatory assessments	220,620	467,072
Stationary and supplies	125,262	235,968
Other	4,881,993	5,096,382
	<u>\$ 5,790,726</u>	<u>\$ 6,071,040</u>

9. Income taxes

The source and tax effect of items reconciling income tax expense to the amount computed by applying the federal income tax rates in effect to net income before income tax expense for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
	Amount	Percent	Amount	Percent
Income before income taxes	<u>\$10,666,381</u>	<u>100.0%</u>	<u>\$ 11,350,135</u>	<u>100.0%</u>
U.S. Federal income tax expense	\$2,239,939	21.0%	\$ 2,383,528	21.0%
Municipal income	(448,053)	(4.2)	(381,379)	(3.4)
Other	(73,353)	(0.7)	(43,068)	(0.3)
Income tax expense	<u>\$ 1,718,533</u>	<u>16.1%</u>	<u>\$ 1,959,081</u>	<u>17.3%</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Income taxes (continued)

The components of income tax expense (benefit) during the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense	\$ 1,847,808	\$ 1,909,722
Deferred tax (benefit)	<u>(129,275)</u>	<u>49,359</u>
	<u>\$ 1,718,533</u>	<u>\$ 1,959,081</u>

The Company records deferred income taxes on the tax effect of changes in temporary differences. Deferred tax assets are subject to a valuation allowance if their realization is less than 50% probable. The deferred tax assets and liabilities were comprised of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Depreciation and amortization	(\$ 960,708)	(\$ 1,011,296)
Unrealized gains on available-for-sale securities	(337,668)	(355,373)
Goodwill amortization	(356,169)	(356,169)
Purchase accounting-securities	(1,305)	(5,498)
Purchase accounting-deposits	(-)	(33,718)
Other items	<u>(82,559)</u>	<u>(68,321)</u>
Gross deferred tax liability	(1,738,409)	(1,830,375)
Allowance for loan losses	1,388,056	1,340,754
Deferred compensation	140,458	133,634
Other	<u>887</u>	<u>-</u>
Gross deferred tax asset	<u>1,529,401</u>	<u>1,474,388</u>
Net deferred tax liability	<u>(\$ 209,008)</u>	<u>(\$ 355,987)</u>

10. Employee benefits

The Company offers a 401(k) Plan (the “Plan”) to all employees who have completed three months of service and who have attained age 20. Plan assets are invested in the Company’s securities or several other investment options. Contributions to the Plan are at the discretion of the Board of Directors, with limitations based on a percentage of the participants’ compensation. Annual contributions are allocated to each participant’s account in an amount equal to each participant’s deferred compensation for the year. A participant’s interest in his or her account balance becomes fully vested after completion of five years of service. The Company contributed \$494,738 and \$456,328 to the Plan in 2019 and 2018, respectively. At December 31, 2019 and 2018, the Plan held 36,371 and 35,280 shares in common stock of the Company, respectively.

The Bank also offers a life insurance joint beneficiary plan to some of its executive officers. The Bank is the owner and beneficiary of split-dollar life insurance policies covering the lives of the officers. The plan provides for payment upon death of a calculated amount based primarily on the officer’s salary to be paid from the proceeds of the policies to the officers’ designated beneficiaries. The benefits have been accrued in the accompanying consolidated financial statements.

JD BANCSHARES, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Contingencies

The Company is a party to various legal proceedings arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these legal proceedings will not have a material adverse effect on the Company's consolidated financial statements.

12. Financial instruments with off-balance-sheet risk

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

The following is a summary as of December 31, 2019 and 2018, of the various financial instruments entered into by the Bank:

	<u>2019</u>	<u>2018</u>
Commitments to extend credit	\$ 123,038,040	\$ 130,512,084
Standby letters of credit	1,741,411	1,620,475

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

The Bank evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer.

Standby letters of credit and commercial letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. 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 its customers. The contractual amounts of credit-related financial instruments, such as commitments to extend credit and letters of credit, represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless.

JD BANCSHARES, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Minimum regulatory capital requirements

Both the Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions, by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, both the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's and the Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2019 and 2018, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

In 2014, FDIC adopted final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. Under the final rules, minimum requirements will increase for both the quantity and quality of capital held by the Bank. The rules include a new common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%; raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%; require a minimum ratio of Total capital to risk-weighted assets of 8.0%; and require a minimum Tier 1 leverage ratio of 4.0%. A new capital conservation buffer, comprised of common equity Tier 1 capital, is also established above the minimum regulatory capital requirements. This capital conservation buffer was phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increases each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. Strict eligibility criteria for regulatory capital instruments were also implemented under the final rules.

The phase-in period for the final rules began for the Bank on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule and were fully phased-in by January 1, 2019. Management believes that the Bank's capital levels will remain characterized as "well-capitalized" under the new rules.

The most recent examination by the Federal Deposit Insurance Corporation (as of June 30, 2019) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain as well capitalized the Bank must maintain the ratios as set forth in the tables below. There are no conditions or events since that notification that management believes have changed the institution's category. The Bank's actual capital amounts and ratios as of December 31, 2019 and 2018, are presented in the table below.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Minimum regulatory capital requirements (continued)

The Bank's actual capital amounts and ratios as of December 31, 2019 and 2018, are also presented in the table below:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019:						
Company:						
Total Regulatory Capital						
To risk weighted assets	\$90,379,000	14.32%	\$50,495,000	≥8.0%	N/A	N/A
Tier I Capital to risk weighted assets	83,769,000	13.27%	37,871,000	≥6.0%	N/A	N/A
Tier I Leverage Capital	83,769,000	9.68%	34,616,000	≥4.0%	N/A	N/A
Common Equity Tier 1 capital (to risk weighted assets):	83,769,000	13.27%	28,404,000	>4.5%	N/A	N/A
Bank:						
Total Regulatory Capital to risk weighted assets	\$102,893,000	16.30%	\$50,493,000	≥8.0%	\$63,116,000	≥10.0%
Tier I Capital to risk weighted assets	96,283,000	15.25%	37,870,000	≥6.0%	50,493,000	≥8.0%
Tier I Leverage Capital	96,283,000	11.13%	34,615,000	≥4.0%	43,268,000	≥5.0%
Common Equity Tier 1 capital (to risk weighted assets):	96,283,000	15.25%	28,402,000	≥4.5%	41,026,000	≥6.50%
As of December 31, 2018:						
Company:						
Total Regulatory Capital						
To risk weighted assets	\$84,791,000	13.60%	\$49,864,000	≥8.0%	N/A	N/A
Tier I Capital to risk weighted assets	78,407,000	12.58%	37,398,000	≥6.0%	N/A	N/A
Tier I Leverage Capital	78,407,000	9.21%	34,060,000	≥4.0%	N/A	N/A
Common Equity Tier 1 capital (to risk weighted assets):	78,407,000	12.58%	28,049,000	>4.5%	N/A	N/A
Bank:						
Total Regulatory Capital to risk weighted assets	\$98,548,000	15.81%	\$49,860,000	≥8.0%	\$62,325,000	≥10.0%
Tier I Capital to risk weighted assets	92,164,000	14.79%	37,395,000	≥6.0%	49,860,000	≥8.0%
Tier I Leverage Capital	92,164,000	10.82%	34,057,000	≥4.0%	42,571,000	≥5.0%
Common Equity Tier 1 capital (to risk weighted assets):	92,164,000	14.79%	28,046,000	≥4.5%	40,511,000	≥6.50%

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments

In accordance with the *Fair Value Measurements and Disclosure* topic of the Accounting Standards Codification, disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement, determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments (continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following describes the hierarchy designations, valuation methodologies, and key inputs to measure fair value on a recurring basis for designated financial instruments.

Available for Sale Securities

Fair value estimates for investment securities are based on quoted market prices, where available (Level 1 inputs). If quoted market prices are not available, fair values are based on quoted market prices or comparable instruments (Level 2). The carrying amount of accrued interest on securities approximates its fair value.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2019,			
Mortgage-backed securities	\$ -	\$ 51,767,542	\$ -
State & political subdivisions	-	92,623,687	-
Corporate bonds	-	7,385,603	-
Securities available-for-sale	<u>\$ -</u>	<u>\$ 151,776,832</u>	<u>\$ -</u>
December 31, 2018,			
Mortgage-backed securities	\$ -	\$ 90,942,053	\$ -
State & political subdivisions	-	30,742,663	-
Corporate bonds	-	4,723,256	-
Securities available-for-sale	<u>\$ -</u>	<u>\$ 126,407,972</u>	<u>\$ -</u>

The Company did not record any liabilities at fair market value for which measurement of the fair value was made on a recurring basis at December 31, 2019 or 2018.

There were no transfers between Level 1 or Level 2 during 2019 or 2018.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments (continued)

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The following describes the hierarchy designation, valuation methodologies, and key inputs for those assets that are measured at fair value on a non-recurring basis:

Impaired Loans

At the time a loan is considered impaired, it is recorded at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification.

Foreclosed Assets

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at the lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments typically result in a Level 2 classification of the inputs for determining fair value.

Assets and liabilities measured at fair value on a non-recurring basis (in thousands) are summarized below:

	<u>Fair Value Measurements at Reporting Date Using:</u>			
December 31, 2019	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Impaired Loans				
Commercial	\$ 8,159	\$ -	\$ -	\$ 8,159
Commercial Real Estate	21,124	-	-	21,124
Consumer	2,946	-	-	2,946
Residential	9,531	-	-	9,531
Foreclosed Assets	<u>956</u>	<u>-</u>	<u>956</u>	<u>-</u>
Total	<u>\$ 42,716</u>	<u>\$ -</u>	<u>\$ 956</u>	<u>\$ 41,760</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments (continued)

Assets and Liabilities Measured on a Non-Recurring Basis (continued)

	<u>Fair Value Measurements at Reporting Date Using:</u>			
December 31, 2018	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Impaired Loans				
Commercial	\$ 4,137	\$ -	\$ -	\$ 4,137
Commercial Real Estate	11,397	-	-	11,397
Consumer	817	-	-	817
Residential	13,248	-	-	13,248
Foreclosed Assets	<u>632</u>	<u>-</u>	<u>632</u>	<u>-</u>
Total	<u>\$ 30,231</u>	<u>\$ -</u>	<u>\$ 632</u>	<u>\$ 29,599</u>

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a gross carrying amount of approximately \$41,760,000 as of December 31, 2019, with a valuation allowance of \$1,447,371. As of December 31, 2018, impaired loans had a gross carrying amount of approximately \$29,599,000 with a valuation allowance of \$144,808.

Foreclosed assets measured at fair value less costs to sell, had a net carrying amount of \$955,977 and \$631,862 as of December 31, 2019 and 2018, respectively. There were no valuation allowances associated with the foreclosed assets.

For Level 3 assets measured at fair value on a non-recurring basis as of December 31, 2019 and 2018, the Company utilized the following valuation techniques and significant unobservable inputs.

Impaired Loans

For individually evaluated impaired loans, the amount of impairment is based upon the present value of expected future cash flows discounted at the loan's effective interest rate or the estimated fair value of the underlying collateral for collateral-dependent loans, resulting in an average discount of 5% to 30%.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments (continued)

Financial Instruments

The carrying amounts and estimated fair values of financial instruments at December 31, 2019 are as follows (in thousands):

		Fair Value Measurements at December 31, 2019 Using:				
	Carrying Amount	Level 1	Level 2	Level 3	Total	
Financial Assets:						
Cash and due from banks and Interest bearing deposits						
In other banks	\$ 42,353	\$ 42,353	\$ -	\$ -	\$ 42,353	
Securities available-for-sale	151,777	-	151,777	-	151,777	
Securities held to maturity	18,154	-	18,197	-	18,197	
Loans, net of allowance	615,166	-	-	624,710	624,710	
Other stocks, at cost	9,661	-	9,661	-	9,661	
Accrued interest receivable	3,457	-	1,515	1,942	3,457	
Financial Liabilities:						
Noninterest bearing deposits	\$ 268,309	\$ -	\$ 268,309	\$ -	\$ 268,309	
Interest bearing deposits	503,794	-	508,047	-	508,047	
Securities sold under repurchase agreements	329	-	329	-	329	
Other borrowed funds	3,011	-	3,011	-	3,011	
Accrued interest payable	270	-	270	-	270	
Subordinate debentures	17,161	-	17,161	-	17,161	

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments (continued)

Financial Instruments (continued)

The estimated fair values of the Company's financial instruments at December 31, 2018, were as follows (in thousands):

		Fair Value Measurements at December 31, 2018 Using:				
	Carrying Amount	Level 1	Level 2	Level 3	Total	
Financial Assets:						
Cash and due from banks and						
Interest bearing deposits						
In other banks	\$ 39,278	\$ 39,278	\$ -	\$ -	\$ 39,278	
Securities available-for-sale	126,408	-	126,408	-	126,408	
Securities held to maturity	22,408	-	22,421	-	22,421	
Loans, net of allowance	619,775	-	-	624,859	624,859	
Other stocks, at cost	8,313	-	8,313	-	8,313	
Accrued interest receivable	2,910	-	1,006	1,904	2,910	
Financial Liabilities:						
Noninterest bearing deposits	\$ 273,454	\$ -	\$ 273,454	\$ -	\$ 273,454	
Interest bearing deposits	485,375	-	448,519	-	448,519	
Securities sold under repurchase						
agreements	451	-	451	-	451	
Other borrowed funds	3,253	-	3,253	-	3,253	
Accrued interest payable	151	-	151	-	151	
Subordinate debentures	17,113	-	17,113	-	17,113	

The estimated fair value approximates carrying amounts for all items except those described below. The carrying amounts of cash and short-term instruments approximate fair values and are classified as either Level 1 or Level 2. Estimated fair value for both securities available-for-sale and held-to-maturity is as previously described for securities available-for-sale. Fair value of loans are estimated as set forth below:

The methods assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate fair values and are classified as Level 1.

Interest Earning Deposits in Other Depository Institutions

The carrying amount of interest-earning deposits approximates fair value and are classified as Level 1.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments (continued)

Financial Instruments (continued)

Loans Receivable, Net

The fair value of loans is estimated through discounted cash flow analysis using current rates at which loans with similar terms would be made to borrowers of similar credit quality resulting in a Level 3 classification. Appropriate adjustments are made to reflect probable credit losses. The carrying amount of accrued interest on loans approximated its fair value.

Other stocks, at cost

The value of the stock is based on the current book value per common share of stock and is classified as Level 2.

Deposit Liabilities

ASC 825 specifies that the fair value of deposit liabilities with no defined maturity is the amount payable on demand at the reporting date, i.e., their carrying or book value. The fair value of fixed-rate certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently offered on certificates of similar remaining maturities to a schedule of aggregate expected cash flows on time deposits and are classified as Level 2.

Short-Term Borrowings

The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on current market rates for similar types of borrowing arrangements and are classified as Level 2.

Advances from Federal Home Loan Bank

The fair value of fixed rate borrowings is estimated using discounted cash flows, based on current incremental borrowing rates for similar types of borrowing arrangements and is classified as Level 2.

Accrued Interest Receivable/Payable

The carrying amount of accrued interest receivable/payable approximates its fair value resulting in a Level 2 or Level 3 classification consistent with the classification of the asset/liability with which they are associated.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Disclosures about fair value of financial instruments (continued)

Financial Instruments (continued)

Off-Balance Sheet Instruments

Off-balance sheet financial instruments include commitments to extend credit and undisbursed lines of credit. The fair value of such instruments is estimated using fees currently charged for similar arrangements in the marketplace, adjusted for changes in terms and credit risk as appropriate. The estimated fair value for these instruments was not significant at December 31, 2019 and 2018. The contract or notional amounts of the Company's financial instruments with off-balance sheet risk are disclosed in Note 12.

15. Other borrowed funds and lines of credit

The Bank has established a federal funds line-of-credit with First National Banker's Bank (FNBB) and Federal Home Loan Bank (FHLB) to provide additional sources of operating funds. The Bank can borrow up to approximately \$35,000,000 and \$228,512,344, respectively under these agreements at December 31, 2019. There was nothing drawn under the agreement with FNBB at December 31, 2019 and 2018. There were \$3,011,367 in advances and a \$95,000,000 Letter of Credit outstanding as of December 31, 2019, under the agreement with the FHLB for a total of \$98,011,367.

16. Subordinated Notes

The Company issued \$17,500,000 in aggregate principal amount of fixed-to-floating subordinated notes during the year ended December 31, 2017. The terms are listed below.

Issue date	January 11, 2017
Maturity date	January 15, 2027
Interest rate	6.75% through January 15, 2022, then LIBOR plus 469.0 basis points through maturity

Interest expense as of December 31, 2019 and 2018 was \$1,181,250 and the principal balance owed was \$17,500,000. Debt issuance costs amounting to approximately \$482,000 are being amortized over the life of the debt. Amortization expense during the years ended December 31, 2019 and 2018 was approximately \$48,000.

The Company may, at its option, beginning with the interest payment date of January 15, 2022 and on any scheduled interest payment date thereafter redeem the subordinated notes, in whole or in part, upon not fewer than 30 nor greater than 60 days' notice to holders, at a redemption price equal to 100% of the principal amount of the subordinated notes to be redeemed plus accrued interest to, but excluding, the date of redemption. Any partial redemption will be made pro rata among all of the holders.

As part of the agreement, the Company will not declare or pay any dividend or make any distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock or other equity securities of any kind, if (i) the total risk-based capital ratio, Tier 1 risk-based capital ratio or leverage ratio of the Company or any of the Company's banking subsidiaries becomes less than ten percent (10%), six percent (6%) or five percent (5%), respectively, or (ii) there exists an Event of Default, in each case except for dividends payable solely in shares of common stock of the Company or as required by any federal or state Governmental Agency.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subordinated Notes (continued)

The subordinated notes may be included in Tier 1 capital for the Bank (with certain limitations applicable) under current regulatory guidelines and interpretations. As of December 31, 2017, a portion of the proceeds of the subordinated notes, \$14,000,000, was contributed to the Bank as Tier 1 capital. No such contributions were made to the Bank as of December 31, 2019 or 2018.

17. Related Party Transactions

Loans are made in the normal course of business to its directors, executive officers and their associates on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans did not involve more than normal risks of collectability. An analysis of activity during 2019 and 2018 with respect to loans to officers and directors of the Bank is as follows:

	<u>2019</u>	<u>2018</u>
Balance - beginning of year	\$ 2,733,061	\$ 2,371,316
New loans	4,559,488	12,195,587
Payments	<u>(5,205,779)</u>	<u>(11,833,842)</u>
Balance - end of year	<u>\$ 2,086,770</u>	<u>\$ 2,733,061</u>

Included in deposits are deposits from directors, officers, their immediate families, and related companies. These accounts totaled approximately \$5,337,409 and \$5,822,479 at December 31, 2019 and 2018, respectively.

18. Loan Servicing

The Bank entered into an agreement with a customer on February 7, 2013, in which the Bank agreed to service loans owned by the customer. The servicing of these loans began on March 19, 2013. The Bank will collect the note payments and escrow for these loans and deposit into a JD Bank account owned by the customer. JD Bank will also send past due notices on the loans through the Bank's normal collection procedures. Per the agreement terms, loans that are 90 days past due will be transferred back to the customer for their collection and foreclosure efforts. The total loan balance being serviced at December 31, 2019 and 2018 is \$1,176,866 and \$1,395,840, respectively, and is properly not recorded on the Bank's consolidated financial statements.

19. Forgivable Loan Agreements

During 2019, the Bank executed agreements with key executives of the Bank in order to enable them to purchase shares of the Bank's stock. In each case, the loans are secured by the 2,000 shares of stock purchased with the proceeds of the loan. For two agreements, the initial amount of the loan was \$117,240 payable in four equal annual installments, to be forgiven as long as the executive continues to be employed as of January 1st of each year, beginning on February 1, 2020 and thereafter on each subsequent February 1st until principal is paid in full. For the third agreement, the initial amount of the loan was \$114,570 payable in four equal annual installments, to be forgiven as long as the executive continues to be employed as of January 1st of each year, beginning on February 1, 2021 and thereafter on each subsequent February 1st until principal is paid in full.

JD BANCSHARES, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, March 26, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net interest income. Other potential financial impacts of the current pandemic are unknown at this time. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Bank Only Financial Statements

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and due from banks	\$ 30,370,741	\$ 26,744,674
Interest bearing deposits in other banks	8,428,674	9,593,917
Securities available-for-sale	151,776,832	126,407,972
Securities held-to-maturity	18,153,881	22,407,606
Other stocks, at cost	9,661,137	8,313,337
Loans held for sale	1,041,433	745,636
Loans held for investment, less allowances for loan losses of \$6,609,792 and \$6,384,541 at December 31, 2019 and 2018, respectively	614,124,365	619,029,500
Accrued interest receivable	3,456,612	2,910,149
Bank premises and equipment, net	24,333,369	25,365,740
Other real estate owned	955,977	631,862
Goodwill and other intangibles	4,179,545	4,340,107
Life insurance contracts	13,665,452	13,375,172
Other assets	<u>1,344,334</u>	<u>1,619,664</u>
 Total assets	 <u><u>\$ 881,492,352</u></u>	 <u><u>\$ 861,485,336</u></u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Bank Only Financial Statements (continued)

LIABILITIES AND STOCKHOLDER'S EQUITY

<u>Liabilities:</u>	<u>2019</u>	<u>2018</u>
Deposits		
Demand deposit accounts, non-interest bearing	\$ 268,356,126	\$ 266,984,835
Demand deposit accounts, interest bearing	158,753,031	153,906,870
Individual retirement accounts	16,008,273	17,760,788
Savings and money market accounts	230,802,150	221,720,112
Certificates of deposit - \$250,000 and over	38,119,218	39,647,725
Other certificates of deposit	60,111,769	58,874,849
	<u>772,150,567</u>	<u>758,895,179</u>
 Securities sold under repurchase agreements	 329,257	 451,471
Other borrowed funds	3,011,367	3,253,314
Accrued interest payable	270,209	151,003
Accrued expenses and other liabilities	2,139,066	2,468,013
Accrued interest payable on subordinated notes	590,625	590,625
Dividends payable	1,625,087	917,542
Total liabilities	<u>780,116,178</u>	<u>766,727,147</u>
 <u>Commitments and Contingencies</u>	 -	 -
 <u>Stockholder's equity:</u>		
Common stock; \$12.50 par value; 1,536,000 shares authorized; 768,000 shares issued and outstanding at December 31, 2019 and 2018	 9,600,000	 9,600,000
Capital surplus	40,400,000	30,400,000
Undivided profits	50,105,898	56,147,698
Accumulated other comprehensive income	1,270,276	(1,389,509)
Total stockholder's equity	<u>101,376,174</u>	<u>94,758,189</u>
 Total liabilities and stockholder's equity	 <u>\$ 881,492,352</u>	 <u>\$ 861,485,336</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Bank Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>INTEREST INCOME</u>		
Interest and fees on loans	\$ 34,905,666	\$ 32,448,867
Investment securities:		
Taxable	2,054,132	2,390,282
Non-taxable	2,381,914	1,885,809
Federal funds sold and interest bearing deposits in other banks	691,836	534,983
Total interest income	<u>40,033,548</u>	<u>37,259,941</u>
<u>INTEREST EXPENSE</u>		
Interest on deposits	3,207,717	2,493,002
Interest on securities sold under repurchase agreements and other borrowing	388,608	533,124
Total interest expense	<u>3,596,325</u>	<u>3,026,126</u>
<u>NET INTEREST INCOME</u>	36,437,223	34,233,815
Provision for loan losses	<u>696,425</u>	<u>189,000</u>
<u>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</u>	<u>35,740,798</u>	<u>34,044,815</u>
<u>NONINTEREST INCOME</u>		
Service charges and fees on deposit accounts	7,034,025	6,913,932
Trust department income	504,518	477,817
Fees and commissions from securities brokerage	600,586	438,548
Gain on sale of mortgage loans held for sale	565,132	523,041
Realized gains on sale of investments	388,398	5,386
Other income	573,960	2,803,466
	<u>9,666,619</u>	<u>11,162,190</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Bank Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	\$ 18,120,720	\$ 18,060,123
Occupancy expenses	5,493,519	5,268,533
Computer and processing expenses	3,084,244	2,163,480
Business promotion and advertising expenses	1,188,464	1,178,386
Other operating expenses	<u>5,742,594</u>	<u>6,038,891</u>
	<u>33,629,541</u>	<u>32,709,413</u>
 <u>INCOME BEFORE INCOME TAX EXPENSE</u>	 11,777,876	 12,497,592
 Income tax expense	 <u>1,958,326</u>	 <u>2,200,728</u>
 <u>NET INCOME</u>	 <u>9,819,550</u>	 <u>10,296,864</u>
 <u>OTHER COMPREHENSIVE INCOME (LOSS)</u>		
<u>Unrealized gains on securities:</u>		
Unrealized holding gains/losses arising during the period net of taxes of \$788,108 and (\$347,951)	2,352,952	(1,400,173)
 Less: reclassification adjustments for gains included in net income, net of taxes of \$81,564 and \$1,131	 <u>306,833</u> <u>2,659,785</u>	 <u>4,255</u> <u>(1,395,918)</u>
 <u>COMPREHENSIVE INCOME</u>	 <u>\$ 12,479,335</u>	 <u>\$ 8,900,946</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Parent Only Financial Statements

BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash in subsidiary bank	\$ 5,882	\$ 1,318
Cash in Texas Capital	3,553,963	2,939,282
Cash and cash equivalents	<u>3,559,845</u>	<u>2,940,600</u>
Dividend receivable	2,215,713	1,508,167
Investment in subsidiary bank	101,376,174	94,758,189
Investment in JD Bank Insurance, LLC	25,581	58,874
Income taxes receivable	258,227	258,227
Total assets	<u><u>\$ 107,435,540</u></u>	<u><u>\$ 99,524,057</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Dividend payable	\$ 920,400	\$ 917,542
Subordinated Notes	17,161,187	17,112,781
Accrued interest - subordinated notes	492,188	492,188
Total liabilities	<u>18,573,775</u>	<u>18,522,511</u>
Preferred stock; no par value; 2,000,000 shares authorized no shares issued or outstanding	-	-
Common stock; \$6.25 par value; 10,000,000 shares authorized; 1,560,000 shares issued and outstanding at December 31, 2019 and 1,555,156 shares issued and outstanding at December 31, 2018	9,750,000	9,719,725
Additional paid-in capital	3,849,468	3,598,000
Retained earnings	74,341,071	69,073,330
Note Receivable for common stock	(349,050)	-
Accumulated other comprehensive (loss) income	1,270,276	(1,389,509)
Total stockholders' equity	<u>88,861,765</u>	<u>81,001,546</u>
Total liabilities and stockholders' equity	<u><u>\$ 107,435,540</u></u>	<u><u>\$ 99,524,057</u></u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Parent Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>INCOME</u>		
Dividends from subsidiary bank	\$ 5,861,356	\$ 5,664,819
Dividends from subsidiary insurance company	100,000	100,000
Interest income	79,683	29,100
	<u>6,041,039</u>	<u>5,793,919</u>
<u>EXPENSES</u>		
Interest expense	1,229,652	1,229,652
Operating expenses	45,886	25,556
Taxes and other expenses	(257,444)	(258,227)
	<u>1,018,094</u>	<u>996,981</u>
<u>INCOME BEFORE EQUITY IN</u>		
<u>UNDISTRIBUTED EARNINGS OF SUBSIDIARIES</u>	5,022,945	4,796,938
Equity in undistributed earnings of subsidiaries and excess distribution of earnings	<u>3,924,903</u>	<u>4,594,116</u>
<u>NET INCOME</u>	<u>8,947,848</u>	<u>9,391,054</u>
<u>OTHER COMPREHENSIVE LOSS</u>		
<u>Unrealized gains on securities:</u>		
Unrealized holding gains/ losses arising during the period net of taxes of \$788,108 and (\$347,951)	2,352,952	(1,400,173)
Less: reclassification adjustment for realized gains included in net income, net of taxes of \$81,564 and \$1,131	<u>306,833</u>	<u>4,255</u>
	<u>2,659,785</u>	<u>(1,395,918)</u>
<u>COMPREHENSIVE INCOME</u>	<u>\$ 11,607,633</u>	<u>\$ 7,995,136</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Parent Only Financial Statements (continued)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 8,947,848	\$ 9,391,054
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	48,404	48,398
Undistributed earnings of JD Prime	(66,707)	(62,066)
Undistributed earnings of Bank	(3,958,200)	(4,631,865)
Changes in dividend receivable	(707,546)	-
Changes in income tax receivable	-	140,196
Net cash provided by operating activities	<u>4,263,799</u>	<u>4,885,717</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment of dividends	(3,677,248)	(3,483,549)
Purchase of common stock	(67,306)	-
Distribution from Subsidiary - JD Bank Ins.	<u>100,000</u>	<u>100,000</u>
Net cash used in financing activities	<u>(3,644,554)</u>	<u>(3,383,549)</u>
Increase in cash in subsidiary bank	619,245	1,502,168
Cash in subsidiary bank - beginning of year	<u>2,940,600</u>	<u>1,438,432</u>
Cash in subsidiary bank - end of year	<u><u>\$ 3,559,845</u></u>	<u><u>\$ 2,940,600</u></u>

SUPPLEMENTAL INFORMATION

JD BANK INSURANCE, LLC
FINANCIAL STATEMENTS



8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809
225-922-4600 Phone – 225-922-4611 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

To the Stockholders and Board of Directors of
JD Bancshares, Inc. and Subsidiaries
Jennings, Louisiana

Our report on the audit of the consolidated financial statements of JD Bancshares, Inc. and its Subsidiaries for the year ended December 31, 2019 and 2018 appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The JD Bank Insurance, LLC financial statements, presented as supplementary information, are not a required part of the basic financial statements, but is supplementary information. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 26, 2020

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash in parent bank	\$ 41,643	\$ 71,427
Furniture and equipment, net	<u>2,440</u>	<u>5,333</u>
Total assets	<u><u>\$ 44,083</u></u>	<u><u>\$ 76,760</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Deferred income taxes payable	\$ 786	\$ 786
Other liabilities	<u>17,716</u>	<u>17,100</u>
Total liabilities	<u>18,502</u>	<u>17,886</u>
Stockholder's equity	685,000	685,000
Retained earnings	<u>(659,419)</u>	<u>(626,126)</u>
Total stockholder's equity	<u>25,581</u>	<u>58,874</u>
Total liabilities and stockholder's equity	<u><u>\$ 44,083</u></u>	<u><u>\$ 76,760</u></u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>INCOME</u>		
Commissions earned	\$ 89,494	\$ 88,788
	<u>89,494</u>	<u>88,788</u>
<u>EXPENSES</u>		
Insurance expenses	107	4,651
Other operating expenses	22,680	22,071
	<u>22,787</u>	<u>26,722</u>
<u>NET INCOME</u>	<u>\$ 66,707</u>	<u>\$ 62,066</u>

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 66,707	\$ 62,066
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	2,893	3,544
Net change in operating assets and liabilities:		
Income taxes payable and other liabilities	616	(13,944)
Other assets and liabilities	-	4,596
Net cash provided by operating activities	<u>70,216</u>	<u>56,262</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment of dividends	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used in financing activities	<u>(100,000)</u>	<u>(100,000)</u>
Decrease in cash in subsidiary bank	(29,784)	(43,738)
Cash in subsidiary bank - beginning of year	<u>71,427</u>	<u>115,165</u>
Cash in subsidiary bank - end of year	<u>\$ 41,643</u>	<u>\$ 71,427</u>

EXECUTIVE OFFICERS

JD BANK

BRUCE W. ELDER

President and Chief Executive Officer

CARLY LEONARDS

Senior Executive Vice President and Chief Banking Officer

PAUL E. BRUMMETT, II

Executive Vice President and Chief Financial Officer

BAVO GALL

Executive Vice President and Chief Information Officer

DORENE GOTHREAU

Executive Vice President and Chief Operating Officer

RAMONA SCHEXNIDER

Executive Vice President and Chief Risk Officer

SARA HUVAL

Senior Vice President and Human Resource Director

ELIZABETH PARKER

Senior Vice President and Chief Administrative Officer

GEORGE SHAFER

Senior Vice President and Attorney/Chief Compliance Officer

MARSHA WILLIAMS

Senior Vice President and Chief Credit Officer

ANN BARILLEAUX

Vice President and Marketing Director

DIRECTORS

JD BANCSHARES, INC. AND JD BANK

DAN L. DONALD, JR.

Chairman
JD Bancshares, Inc.
JD Bank

DAVID B. DONALD

Vice Chairman
JD Bancshares, Inc.
JD Bank

SARA A. ROBERTS

Secretary
JD Bancshares, Inc.
JD Bank

BRUCE W. ELDER

President and Chief Executive Officer
JD Bancshares, Inc.
JD Bank

G. VINCENT BAILEY

CLARENCE A. BERKEN

DARYL V. BURCKEL

ANDREW CORMIER

MILTON RAY CROCHET

RAY HINES

THOMAS E. LEGER

VICTOR T. STELLY

TERRY J. TERREBONNE

