JD BANCSHARES INC.

ANNUAL REPORT 2020

President's Message to Shareholders:

This past year has been one of challenges, opportunities and successes, but also one that I am glad is tucked away in the past. Beginning in March, the entire nation was significantly impacted by the COVID-19 pandemic. Louisiana, like many other States, experienced economic stress and an increase in unemployment. To rub salt in an open wound, southwest Louisiana also experienced two named hurricanes, one in August and the other in October. The shutdowns occurring during the pandemic caused shortages in building supplies and labor resulting in a slow recovery process for parts of the JD Bank footprint. A pandemic and two hurricanes make for a challenging environment.

But from those challenges come stories of opportunity. JD Bank was able to work with small business and consumer borrowers to defer payments for periods of 90 to 180 days. These payment deferrals were offered in the spring to people suffering from the pandemic and again in the fall to hurricane victims. JD Bank also participated in the Small Business Administration's Payroll Protection Program (PPP). The program was designed for the purpose of helping small businesses keep their workforces employed. We made loans under the program totaling approximately $74 million to 747 borrowers from April through June. And finally, the Company was able to make a meaningful donation to help fight food insecurity throughout our footprint. Like many other community banks, we played an important role in supporting our communities through the challenges resulting from the pandemic.

Despite the challenges and the opportunities presented, we also celebrated several successes. In June, the Company was recognized as one of the Top 200 Publicly Traded Community Banks by American Banker magazine. The recognition criteria was based on average Return on Equity over a three year period ended December 31, 2019. With the "pay it forward" help of Allegiance Bank in Houston, Texas, we established the JD Bank Hurricane Relief Fund and raised over $50,000 dollars to help our employees with much needed financial assistance in the aftermath of the hurricanes. This money was raised through the kindness of Allegiance Bank and its employees, our Board members and fellow JD Bank employees and helped create a deeper culture of teamwork. As a reminder, the Company made the transition from the OTC Pink sheets to the OTCQX exchange in 2020. This has resulted in increased visibility for the Company. And finally, we declared both a 10% stock dividend in December, followed by a cash dividend in January. The stock dividend increased the number of shares outstanding and had a favorable impact on the stock's trading volume.

Financial results for 2020 were impacted by the pandemic, the hurricanes and the government sponsored PPP lending program. Net income for 2020 was $7.2 million or $4.62 per share compared to $8.9 million or $5.74 per share for the prior year. Lower net income had a negative impact on the financial performance metrics of Return on Average Equity (ROE) and Return on Average Assets (ROA). ROE declined to 7.89% for the current year compared to 10.85% for the prior year. ROA, impacted by both lower earnings and higher average assets, was 0.72% for the current year compared to 1.02% for the prior year. The $1.7 million decline in net income resulted from lower net interest income, larger provisions for loan losses and were partially offset by higher non-interest income and lower overhead expenses.

Unemployment and economic shutdowns caused consumers and small businesses alike to hunker down and weather the storm. There was not a great deal of new business activity taking place in our communities. The volume of low-yielding assets resulting from the significant increase in deposits, the decline in non-PPP lending demand and the sharp drop in interest rates as the Federal Reserve Open Market Committee attempted to fight the economic challenges created by the pandemic all had an adverse impact on the Company's net interest income. Net interest income was $34.0 million for the twelve month period ended December 31, 2020 and was $1.3 million less than the prior year.

The effects of the pandemic also brought a great deal of uncertainty with respect to our borrowers' ability to continue to meet their payment obligations in accordance with loan terms. That uncertainty caused management and the Board of Directors to increase our allowance for loan losses. Provision for loan loss expense was $2.7 million or $2.0 million more than we provided in 2019. Our allowance for loan losses at December 31, 2020 was 1.36% of total loans compared to 1.06% at the prior year end. We remain vigilant and cautiously optimistic about the Company's asset quality.

Non-interest income increased by $784,000 to $10.5 million for 2020. Increases in revenue from a casualty gain, gains on sales of originated mortgage loans, fees from trust services and interchange fees on debit card transactions were partially offset by declines in service charges on deposit accounts, fees on securities brokerage business and gains on securities sales. Approximately $342,000 of the total increase in non-interest income was due to non-recurring, non-operating items.

Non-interest expenses were $33.5 million for 2020 and declined by $210,000 compared to 2019. Decreases in occupancy, marketing and professional fees were partially offset by increases in computer processing, personnel and regulatory expenses. Non-operating expenses associated with the disposal of other real estate owned declined to $114,000 in 2020 compared to $225,000 in 2019.

The PPP lending program, the stimulus packages approved by Congress in 2020 and the aftermath of the hurricanes had a significant impact on the balance sheet of the Company. The consumer and business reaction to the potential economic consequences of the pandemic was to pay down outstanding debt. While we had strong demand for PPP loans, our existing non-PPP portfolio declined sharply. As a result, loans grew by only $9.5 million and closed the year at $630.2 in gross loans held for investment. Stimulus checks, PPP proceeds and insurance money from hurricane damage resulted in a 50% increase in total deposits from $772.1 million to $1.2 billion. Stockholders' equity increased from $88.9 million to $98.7 million at December 31, 2020. The increase was driven largely by net income and increases in the net unrealized gain on investment securities less the dividends paid to stockholders. Total assets increased to $1.3 billion from $885.0 million a year ago.

The pandemic delayed one of our planned branch openings for 2020. We did open our new branch at 631 East Admiral Doyle Drive in New Iberia in June. We had planned to open a branch location at 3600 Johnson Street in Lafayette, but all the distractions of 2020 pushed those plans into 2021. We are now on target to open the branch in May of this year. The ATM located at that office is currently up and running. Finally, we had a branch location at 4100 Ryan Street in Lake Charles that was destroyed in the hurricane. We are in the discussion, design and approval phase of building a new facility to serve our customers.

I hope you have taken the time to read our quarterly earnings press releases. We pledged last year to communicate to stockholders more frequently and we prepare a comprehensive release that can be found on financial news outlets and the Investor Relations section of our website at www.jdbank.com.

We also are actively posting articles of interest, fun facts and helpful information on various social media channels such as Facebook, LinkedIn and Instagram.

Finally, we wish to honor a long-time Board member of JD Bancshares and JD Bank who passed away in late December 2020. Victor Theodore “Vic” Stelly will be remembered for the contributions he made to the Company and the lasting friendships and impressions he has left behind. Elected to the board of Directors in 1999, Vic previously served as a member of the Louisiana House of Representatives, a member of the Louisiana Board of Regents for Higher Education, coached high school and college football and was an independent State Farm agent. Vic and his wife Terry passed within hours of each other and their contributions to the Company and our communities will never be forgotten.

Thank you for your continued support of JD Bancshares and please let me know if I can answer questions or be of assistance.

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

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

	2020	2019	Change
Deposits and Repurchase Agreements	$ 1,163,996	$ 772,432	50.69%
Loans (Net)	622,535	615,166	1.20%
Net Income	7,204	8,948	-19.49%
Equity Capital	98,720	88,862	11.09%
Dividends Declared	2,761	3,680	-24.97%

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

	2020	2019	2018	2017	2016
Assets and Liabilities at Year End					
Total Assets	$ 1,288,055	$ 885,049	$ 864,688	$ 869,364	$ 806,277
Loans (Net)	622,535	615,166	619,775	599,307	598,521
Investments Available-for-Sale (AFS) (Fair Value)	325,220	151,777	126,408	141,512	77,368
Investments Held-to-Maturity (HTM) (at Amortized Cost)	15,263	18,154	22,408	24,048	26,512
Other Stocks, at Cost	7,603	9,661	8,313	8,260	6,273
Deposits and Repurchase Agreements	1,163,996	772,432	759,281	733,525	725,579
Stockholders' Equity					
Common Stock	$ 9,742	$ 9,750	$ 9,720	$ 9,720	$ 9,720
Surplus	3,790	3,850	3,598	3,598	3,598
Undivided Profits	78,784	74,341	69,073	63,166	60,375
Accumulated Other Comprehensive Income (Loss)	6,606	1,270	(1,390)	6	139
Note Receivable on Common Stock	(202)	(349)	-	-	-
Total Stockholders' Equity	$ 98,720	$ 88,862	$ 81,001	$ 76,490	$ 73,832
Earnings for the Year					
Consolidated Net Income	$ 7,204	$ 8,948	$ 9,391	$ 6,214	$ 4,240
Net Interest Income	34,032	35,287	33,033	32,135	32,208
Non Interest Income	10,540	9,756	11,251	9,024	8,019
Non Interest Expense	33,471	33,681	32,745	31,952	32,559
Cash Dividends	2,761	3,680	3,484	3,421	3,421
Per Share Data					
Net Income	$ 4.62	$ 5.74	$ 6.04	$ 4.00	$ 2.73
Cash Dividends	1.77	2.36	2.24	2.20	2.20
Book Value at Year-end	63.33	56.96	52.09	49.19	47.48
Return on Average Assets	0.72 %	1.02 %	1.09 %	0.80 %	0.52 %
Return on Equity	7.89 %	10.85 %	11.59 %	8.12 %	5.74 %

Postlethwaite & Netterville

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A Professional Accounting Corporation

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, 2020 and 2019, 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.

Postlethwaite & Netterville

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, 2020 and 2019, 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 23, 2021

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JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

A S S E T S

	2020	2019
ASSETS		
Cash and due from banks	$ 23,526,805	$ 30,370,741
Interest bearing deposits in other banks	241,606,806	11,982,637
Cash and cash equivalents	265,133,611	42,353,378
Securities available-for-sale	325,220,332	151,776,832
Securities held-to-maturity	15,262,740	18,153,881
Other stocks, at cost	7,602,872	9,661,137
Loans held for sale	918,649	1,041,433
Loans held for investment, less allowances for loan losses of $8,583,239 and $6,609,792 at December 31, 2020 and 2019, respectively	621,616,199	614,124,365
Accrued interest receivable	4,927,549	3,456,612
Bank premises and equipment, net	23,130,056	24,335,809
Other real estate owned	290,700	955,977
Goodwill and other intangibles	4,179,545	4,179,545
Life insurance contracts	17,010,415	13,665,452
Other assets	2,761,967	1,344,334
Total Assets	$ 1,288,054,635	$ 885,048,755

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

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

LIABILITIES AND STOCKHOLDERS' EQUITY

	2020	2019
LIABILITIES		
Deposits		
Demand deposit accounts, non-interest bearing	$ 448,228,875	$ 268,308,601
Demand deposit accounts, interest bearing	244,337,658	158,753,031
Individual retirement accounts	13,747,317	16,008,273
Savings and money market accounts	345,297,897	230,802,150
Certificates of deposit - $250,000 and over	43,673,861	38,119,218
Other certificates of deposit	68,265,220	60,111,769
	1,163,550,828	772,103,042
Securities sold under repurchase agreements	444,926	329,257
Other borrowed funds	2,763,431	3,011,367
Accrued interest payable	714,418	762,397
Accrued expenses and other liabilities	4,537,808	1,899,340
Subordinated debentures	17,323,404	17,161,187
Dividends payable	-	920,400
Total liabilities	1,189,334,815	796,186,990
STOCKHOLDERS' EQUITY		
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; 1,558,757 shares issued and outstanding at December 31, 2020 and 1,560,000 shares issued and outstanding at December 31, 2019	9,742,231	9,750,000
Additional paid-in-capital	3,790,068	3,849,468
Retained earnings	78,783,577	74,341,071
Notes receivable for common stock	(202,500)	(349,050)
Accumulated other comprehensive income	6,606,444	1,270,276
	98,719,820	88,861,765
Total stockholders' equity	98,719,820	88,861,765
Total Liabilities and Stockholders' Equity	$ 1,288,054,635	$ 885,048,755

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 33,948,735	$ 34,905,666
Investment securities:		
Taxable	1,829,762	2,054,132
Non-taxable	2,863,868	2,381,914
Federal funds sold and		
interest bearing deposits in other banks	274,100	771,523
Total interest income	38,916,465	40,113,235
INTEREST EXPENSE		
Interest on deposits	3,383,368	3,207,717
Interest on subordinated notes	1,343,466	1,229,652
Interest on federal funds purchased and securities		
sold under repurchase agreement	157,140	388,608
Total interest expense	4,883,974	4,825,977
NET INTEREST INCOME	34,032,491	35,287,258
Provision for loan losses	2,728,000	696,425
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	31,304,491	34,590,833
NONINTEREST INCOME		
Service charges and fees on deposit accounts	6,950,119	7,034,025
Trust department income	554,855	504,518
Fees and commissions from securities brokerage	442,136	600,586
Gain on sale of mortgage loans held for sale	929,815	565,132
Realized gains on sale of investments	251,957	388,398
Other income	1,411,353	663,454
	10,540,235	9,756,113

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, 2020 AND 2019

	2020	2019
NONINTEREST EXPENSES		
Salaries and employee benefits	$ 18,171,519	$ 18,120,720
Occupancy expenses	5,178,655	5,496,411
Computer and processing expenses	3,684,994	3,084,244
Business promotion and advertising expenses	886,725	1,188,464
Other operating expenses	5,548,776	5,790,726
	33,470,669	33,680,565
INCOME BEFORE INCOME TAX EXPENSE	8,374,057	10,666,381
Income tax expense	1,170,351	1,718,533
NET INCOME	$ 7,203,706	$ 8,947,848
Per common share data:		
Earnings	$ 4.62	$ 5.74
Weighted average number of shares outstanding	1,559,949	1,558,876

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET INCOME	$ 7,203,706	$ 8,947,848
OTHER COMPREHENSIVE INCOME		
Unrealized gains on securities:		
Unrealized holdings gains/losses arising during the period, net of tax of $1,471,564 and $788,108, respectively	5,535,214	2,966,618
Less: reclassification adjustments for gains included in net income, net of tax of $52,911 and $81,565, respectively	199,046	306,833
Total other comprehensive income	5,336,168	2,659,785
TOTAL COMPREHENSIVE INCOME	$ 12,539,874	$ 11,607,633

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

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JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock			
	Shares	Amount	Notes Receivable	Additional Paid-in-Capital
Balance at December 31, 2018	1,555,156	$ 9,719,725	$ -	$ 3,598,000
Net income	-	-	-	-
Issued 4,844 shares common stock	4,844	30,275	-	251,468
Notes receivable for common stock	-	-	(349,050)	-
Other Comprehensive Income	-	-	-	-
Dividends on common stock, $.59 per share	-	-	-	-
Balance at December 31, 2019	1,560,000	9,750,000	(349,050)	3,849,468
Net income	-	-	-	-
Retired 1,243 shares common stock	(1,243)	(7,769)	-	(59,400)
Notes receivable for common stock	-	-	146,550	-
Other Comprehensive Income	-	-	-	-
Dividends on common stock, $.59 per share	-	-	-	-
Balance at December 31, 2020	1,558,757	$ 9,742,231	$ (202,500)	$ 3,790,068

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

Retained Earnings	Accumulated Other Comprehensive Income	Total
$ 69,073,330	$ (1,389,509)	$ 81,001,546
8,947,848	-	8,947,848
-	-	281,743
-	-	(349,050)
-	2,659,785	2,659,785
(3,680,107)	-	(3,680,107)
74,341,071	1,270,276	88,861,765
7,203,706	-	7,203,706
-	-	(67,169)
-	-	146,550
-	5,336,168	5,336,168
(2,761,200)	-	(2,761,200)
$ 78,783,577	$ 6,606,444	$ 98,719,820

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,203,706	$ 8,947,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,406,791	2,549,313
Provision for loan losses	2,728,000	696,425
Non-cash change in cash surrender value of life insurance	(344,963)	(290,280)
Write-down of other real estate	116,732	224,602
Premium amortization, net	1,328,390	637,240
Amortization of subordinated debentures	162,217	48,404
Amortization of goodwill and core deposit intangible	-	160,562
Deferred income taxes	(608,279)	(129,275)
Loss on sales of other real estate and property	-	250
Gain on sales of bank premises and equipment	(506,389)	-
Gain on the sale of securities	(251,957)	(388,398)
Net change in operating assets and liabilities:		
Other operating assets and liabilities	410,461	(630,271)
Loans held for sale	122,784	(295,797)
Interest receivable	(1,470,937)	(546,463)
Interest payable	(47,979)	119,206
Net cash provided by operating activities	11,248,577	11,103,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities/sales of available-for-sale securities	32,937,411	80,072,809
Maturities of held to maturity securities	2,850,615	4,148,072
Purchases of available-for-sale securities	(198,603,732)	(103,566,327)
Purchases of life insurance policies	(3,000,000)	-
Loan originations, net of principal repayment	(10,266,834)	3,128,461
Purchases of bank premises and equipment	(1,743,381)	(1,514,049)
Proceeds from sales of bank premises and equipment	1,048,732	-
Proceeds from sales of other real estate and property	595,545	531,282
Net cash used in investing activities	(176,181,644)	(17,199,752)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	$ 391,447,786	$ 13,280,608
Net decrease in other borrowed funds and repurchase agreements	(132,267)	(364,161)
Net increase in dividends payable	-	2,858
Payment of dividends	(3,681,600)	(3,680,107)
Proceeds from issuance of common stock	-	281,743
Retirement of common stock	(67,169)	-
Change in common stock notes receivable	146,550	(349,050)
Net cash provided by financing activities	387,713,300	9,171,891
Net increase in cash and cash equivalents	222,780,233	3,075,505
Cash and cash equivalents - beginning of year	42,353,378	39,277,873
Cash and cash equivalents - end of year	$ 265,133,611	$ 42,353,378

Supplemental disclosures of cash flow information:

	2020	2019
Cash paid for interest	$ 2,245,506	$ 5,412,536
Cash paid for income taxes	$ 1,333,594	$ 2,141,750
Transfer of loans to other real estate	$ 47,000	$ 1,080,249

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

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.

On August 27, 2020, Hurricane Laura made landfall in southwest Louisiana as a Category 4 hurricane and caused significant damage in southwest Louisiana. Hurricane Delta made landfall in southwest Louisiana on October 9, 2020, and caused further destruction. The Bank has worked with their insurance company to make repairs to the affected buildings and replace necessary equipment.

During the year ended December 31, 2020, the Bank originated Paycheck Protection Plan loans established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These loans are guaranteed by the Small Business Administration and amounted to $58,584,805, net of deferred income, at December 31, 2020. The interest rate on these loans was set at 1% and fees were calculated based on the loan balance, ranging between 1% and 5%. The Bank began accepting forgiveness applications on September 21, 2020.

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.

1. Summary of significant accounting policies (continued)

Use of estimates (continued)

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.

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, 2020 and 2019. 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.

1. Summary of significant accounting policies (continued)

Securities (continued)

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.

The Bank applies Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments–Recognition and Measurement of Financial Assets and Financial Liabilities* which requires fair value disclosures for financial instruments carried at amortized cost be presented at exit price. Equity securities are carried at fair market value on the balance sheet and any periodic changes in market value are adjustments to the income statement. The Bank uses a practical expedient for equity securities without a readily determinable fair value, such that these securities can be carried at cost less any impairment.

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.

1. Summary of significant accounting policies (continued)

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.

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.

1. Summary of significant accounting policies (continued)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

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.

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, 2020 or 2019.

Leases

The Company applies ASU 2016-02 and determines if an arrangement is a lease at inception of the contract. For leases with terms greater than twelve months, right of use assets and lease liabilities are recognized at contract commencement date based on the present value of lease payments over the lease term. Right of use assets represent the Company's right to use the underlying assets for the lease term. Lease liabilities represent the Company's obligation to make lease payments arising from these contracts. The Company uses their incremental borrowing rate in determining the present value of lease payments.

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.

1. Summary of significant accounting policies (continued)

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, 2014 for $4,000,000, and 2020 for $3,000,000 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 $344,963 and $290,280 in 2020 and 2019, respectively.

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.

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. 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 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.

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. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has evaluated its positions regarding the accounting for uncertain tax positions and does not believe it has any material uncertain tax positions.

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

1. Summary of significant accounting policies (continued)

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.

Stock dividend

On December 18, 2020, the Bank announced that its Board of Directors had declared a 10% stock dividend, which was paid on January 4, 2021 to shareholders of record as of December 28, 2020.

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.

Revenue recognition

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. 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.

1. Summary of significant accounting policies (continued)

Reclassification

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

Accounting pronouncements issued but not yet adopted

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 this pronouncement 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, 2020, consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US govt. agency securities	$ 11,229,207	$ 29,553	$ (600)	$ 11,258,160
Mortgage-backed securities	180,015,727	1,446,959	(733,628)	180,729,058
States and political subdivisions	116,361,970	7,588,179	(72,603)	123,877,546
Corporate bonds	9,250,748	108,734	(3,914)	9,355,568
Totals	$ 316,857,652	$ 9,173,425	$ (810,745)	$ 325,220,332

At December 31, 2020, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investment securities (continued)

Securities classified as held-to-maturity at December 31, 2020, consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
States and political subdivisions	$ 15,262,740	$ 75,602	$ (79)	$ 15,338,263

Securities classified as available-for-sale at December 31, 2019, consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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	7,264,810	120,793	-	7,385,603
Totals	$ 150,169,642	$ 2,456,848	$ (849,658)	$ 151,776,832

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, 2020 and 2019, approximately $847 and $43,400, 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, 2019, consisted of the following:

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

The amortized costs and estimated market values of debt securities at December 31, 2020, 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:	Amortized Cost	Fair Value
Within one year	$ 350,904	$ 351,955
Greater than one but within five years	5,804,647	5,829,387
Greater than five but within ten years	45,393,965	45,406,096
Greater than ten years	265,308,136	273,632,894
	$ 316,857,652	$ 325,220,332

3. Investment securities (continued)

Held-to-Maturity:	Amortized Cost
Within one year	$ 2,048,607
Greater than one but within five years	7,437,990
Greater than five but within ten years	3,223,143
Greater than ten years	2,553,000
	$ 15,262,740

Investment securities with carrying values of approximately $1,490,000 at December 31, 2020 and 2019, 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, 2020, JD Bank also has a $96,500,000 fluctuating balance letter of credit with Federal Home Loan Bank of Dallas for the purpose of securing public funds, of which, $95,905,000 was pledged.

Information pertaining to securities with gross unrealized losses at December 31, 2020, 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
US Govt. Agency Securities	1	(600)	$ 1,999,400	-	-	-
State and political Subdivisions	10	(72,603)	10,073,956	-	-	-
Corporate Bonds	1	(3,914)	696,086	-	-	-
Mortgage-backed Securities	38	(510,446)	76,649,540	3	(223,182)	3,982,531
Totals	50	$ (587,563)	$ 89,418,982	3	$ (223,182)	$ 3,982,531

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	-	$ -	$ -	1	$ (79)	$ 114,922

3. Investment securities (continued)

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	25	$ (711,744)	$ 40,345,767	5	$ (137,914)	$ 3,960,999

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	-	$ -	$ -	2	$ (513)	$ 204,533

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, 2020. 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.

4. Loans and allowance for loan losses

The components of loans in the consolidated balance sheets at December 31, 2020 and 2019 were as follows (in thousands):

	2020	2019
Commercial loans	$ 81,056	$ 84,212
Commercial real estate loans	248,607	254,791
Consumer loans	30,258	34,617
Residential loans	211,693	247,114
PPP, net of deferred fees	58,585	-
	630,199	620,734
Allowances for loan losses	(8,583)	(6,610)
Loans, net	$ 621,616	$ 614,124

During the year ended December 31, 2020, the bank added a new loan category for the Paycheck Protection Program (PPP) loans that were originated. These are loans that are 100% guaranteed by the Small Business Administration (SBA) to help businesses keep their workforces employed during the Coronavirus Pandemic. These loans were not included in the allowance for loan loss calculations, as they are fully forgivable and guaranteed by the SBA. The bank recorded approximately $1,440,000 in fee income associated with the origination of these loans, and has approximately $973,000 in deferred income as of December 31, 2020.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

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 $8,583,239 and $6,609,792 adequate to cover loan losses inherent in the loan portfolio at December 31, 2020 and 2019 respectively. The following table presents, by loan segment, the changes in the allowance for loan losses and the recorded investment in loans.

Allowance for Loan Losses and Recorded Investment in Loans
For the Year Ended December 31, 2020

	Commercial	Commercial Real Estate	Consumer	Residential	PPP, net of deferred fees	Total
Allowance for Loan Losses (in thousands):						
Beginning balance	$ 832	$ 1,905	$ 1,125	$ 2,748	$ -	$ 6,610
Charge-offs	(802)	-	(249)	(2)	-	(1,053)
Recoveries	10	45	220	23	-	298
Provision	2,079	-	646	3	-	2,728
Ending balance	$ 2,119	$ 1,950	$ 1,742	$ 2,772	$ -	$ 8,583
Ending allowance balance, individually evaluated for impairment	$ 411	$ 746	$ -	$ 299	$ -	$ 1,456
Ending allowance balance, collectively evaluated for impairment	$ 1,708	$ 1,204	$ 1,742	$ 2,473	$ -	$ 7,127
Loans (in thousands):						
Ending loan balance, individually evaluated for impairment	$ 6,108	$ 23,400	$ 516	$ 11,663	$ -	$ 41,687
Ending loan balance, collectively evaluated for impairment	$ 74,948	$ 225,207	$ 29,742	$ 200,030	$ -	$ 529,927
Ending total loan balance	$ 81,056	$ 248,607	$ 30,258	$ 211,693	$ 58,585	$ 630,199

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	21	-	140	37	198
Provision	97	-	267	332	696
Ending balance	$ 832	$ 1,905	$ 1,125	$ 2,748	$ 6,610
Ending allowance balance, individually evaluated for impairment	$ 813	$ 345	$ 12	$ 277	$ 1,447
Ending allowance balance, collectively evaluated for impairment	$ 19	$ 1,560	$ 1,113	$ 2,471	$ 5,163
Loans (in thousands):					
Ending loan balance, individually evaluated for impairment	$ 8,159	$ 21,124	$ 2,946	$ 9,531	$ 41,760
Ending loan balance, collectively evaluated for impairment	$ 76,053	$ 233,667	$ 31,671	$ 237,583	$ 578,974
Ending total loan balance	$ 84,212	$ 254,791	$ 34,617	$ 247,114	$ 620,734

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.

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.

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.

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, 2020

	Commercial Loans	Commercial Real Estate	Residential Loans	Consumer Loans	PPP, net of Deferred Fees
Risk Rating 1	$ 1,620	$ 907	$ -	$ -	$ 58,585
Risk Rating 2	11,533	63,151	-	-	-
Risk Rating 3	45,734	157,049	-	-	-
Risk Rating 4	4,454	3,661	-	-	-
Risk Rating 5	13,941	11,099	-	-	-
Risk Rating 6	3,774	9,753	-	-	-
Risk Rating 7	-	2,987	-	-	-
Risk Rating 8	-	-	-	-	-
Pass	-	-	200,473	-	-
Special Mention	-	-	113	-	-
Substandard	-	-	11,107	-	-
Doubtful	-	-	-	-	-
Performing	-	-	-	29,893	-
Non-performing	-	-	-	365	-
Total	$ 81,056	$ 248,607	$ 211,693	$ 30,258	$ 58,585

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	$ 84,212	$ 254,791	$ 247,114	$ 34,617

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, 2020:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Residential	15	$ 1,059,329	$ 966,872
Consumer	1	44,846	42,912
Commercial Real Estate	8	8,165,915	7,949,818
Commercial	6	1,654,117	1,673,933
Total	30	$ 10,924,207	$ 10,633,535

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

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Residential	19	$ 1,493,101	$ 1,397,910
Consumer	7	116,160	78,332
Commercial Real Estate	6	7,196,560	7,069,179
Commercial	8	3,899,218	1,896,606
Total	40	$ 12,705,039	$ 10,442,027

The modification of the terms of such commercial loans performed during the year ended December 31, 2020 and 2019 included an extension to the maturity of the loans. The modification of the commercial real estate loans performed during the year ended December 31, 2020 and 2019 included an extension of the maturity date and a stated rate of interest lower than the current market rate. The modification of the residential loans during the year ended December 31, 2020 and 2019 included an extension to the maturity of the loans and a stated rate of interest lower than the current market rate. The modification of the consumer loans during the year ended December 31, 2020 and 2019 included an extension to the maturity of the loans. There were no TDRs modified within the previous twelve months that subsequently defaulted during the year ended December 31, 2020. The loans are performing in accordance with the modified terms.

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, 2020.

Credit Quality Information
Age Analysis of Past Due Loans by Class of Loan
As of December 31, 2020
(in thousands)

	30-89 Days Past Due	Greater than 90 Days & still accruing	Total Past Due	Nonaccruals	Current	Total Receivables
Commercial	$ 282	$ -	$ 282	$ 829	$ 79,945	$ 81,056
Commercial Real Estate	-	-	-	3,646	244,961	248,607
Consumer	167	-	167	371	29,720	30,258
Consumer Real Estate	876	-	876	3,971	206,846	211,693
PPP, net of deferred fees	-	-	-	-	58,585	58,585
Ending balance	$ 1,325	$ -	$ 1,325	$ 8,817	$ 620,057	$ 630,199

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	$ -	$ 361	$ 548	$ 83,303	$ 84,212
Commercial Real Estate	238	1	239	2,558	251,994	254,791
Consumer	298	-	298	409	33,910	34,617
Consumer Real Estate	2,353	3	2,356	4,239	240,519	247,114
Ending balance	$ 3,250	$ 4	$ 3,254	$ 7,754	$ 609,726	$ 620,734

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 2020 or 2019. 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.

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, 2020
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized	Average Recorded Investment
Commercial	$ 2,101	$ 2,101	$ -	$ 126	$ 1,630
Commercial Real Estate	5,388	5,388	-	295	5,718
Consumer	414	414	-	25	451
Residential	4,775	4,775	-	189	4,895
PPP, net of deferred fees	-	-	-	-	-
	$ 12,678	$ 12,678	$ -	$ 636	$ 12,694

Impaired loans information
Impaired loans by class with an allowance recorded
As of December 31, 2020
(in thousands)

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized	Average Recorded Investment
Commercial	$ 4,007	$ 4,007	$ 411	$ 204	$ 5,504
Commercial Real Estate	18,012	18,012	746	454	16,544
Consumer	102	102	-	6	1,281
Residential	6,888	6,888	299	345	5,703
PPP, net of deferred fees	-	-	-	-	-
	$ 29,009	$ 29,009	$ 1,456	$ 1,008	$ 29,032

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

	Recorded Investment	Unpaid Principal balance	Related allowance	Interest income recognized	Average Recorded Investment
Commercial	$ 1,158	$ 1,158	$ -	$ 139	$ 1,590
Commercial Real Estate	6,048	6,048	-	319	4,003
Consumer	487	487	-	36	443
Residential	5,013	5,013	-	256	5,099
	$ 12,706	$ 12,706	$ -	$ 750	$ 11,135

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, 2019
(in thousands)

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

5. Core deposit intangibles

The Bank acquired core deposit intangibles 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 had a 7-year life 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, 2020 and 2019, were as follows:

	2020	2019
Buildings and leasehold improvements	$ 25,526,207	$ 25,868,908
Equipment	17,410,786	17,650,526
Land	5,553,405	5,406,406
Construction-in-progress	-	29,264
	48,490,398	48,955,104
Less: accumulated depreciation and amortization	(25,360,342)	(24,619,295)
	$ 23,130,056	$ 24,335,809

Depreciation expense amounted to $2,406,791 and $2,549,313 during the years ended December 31, 2020 and 2019, respectively.

7. Time deposits

At December 31, 2020, the scheduled maturities of all outstanding certificates of deposit and IRA's were as follows:

Year ending December 31st	Amount
2021	$ 81,712,078
2022	32,089,473
2023	9,279,290
2024	2,512,648
2025	92,909
	$ 125,686,398

Included in deposits are $46,375,518 and $40,728,536 of certificates of deposit and IRA accounts greater than or equal to $250,000 at December 31, 2020 and 2019, respectively.

Total interest expense on certificates of deposit and IRA accounts was $1,742,961 and $1,515,533 for the years ended December 31, 2020 and 2019, respectively.

8. Other operating expenses

Other operating expenses for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Professional fees and expenses	$ 478,451	$ 562,851
Regulatory assessments	403,234	220,620
Stationary and supplies	138,067	125,262
Other	4,529,024	4,881,993
	$ 5,548,776	$ 5,790,726

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, 2020 and 2019, are as follows:

	2020		2019	
	Amount	Percent	Amount	Percent
Income before income taxes	$8,374,057	100.0%	$ 10,666,381	100.0%
U.S. Federal income tax expense	$1,758,552	21.0%	$ 2,239,939	21.0%
Tax free municipal income	(543,150)	(6.5)	(448,053)	(4.2)
Other	(45,051)	(0.5)	(73,353)	(0.7)
Income tax expense	$ 1,170,351	14.0%	$ 1,718,533	16.1%

9. Income taxes (continued)

The components of income tax expense (benefit) during the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Current tax expense	$ 1,778,630	$ 1,847,808
Deferred tax (benefit)	(608,279)	(129,275)
	$ 1,170,351	$ 1,718,533

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, 2020 and 2019:

	2020	2019
Depreciation and amortization	($ 805,528)	($ 960,708)
Unrealized gains on available-for-sale securities	(1,770,886)	(337,668)
Goodwill amortization	(356,169)	(356,169)
Purchase accounting-securities	(272)	(1,305)
Other items	(75,911)	(82,559)
Gross deferred tax liability	(3,008,766)	(1,738,409)
Allowance for loan losses	1,802,480	1,388,056
Deferred compensation	161,423	140,458
Other	10,916	887
Gross deferred tax asset	1,974,819	1,529,401
Net deferred tax liability	($ 1,033,947)	($ 209,008)

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 a menu of diversified investment options including Company stock. The Plan is a "Safe-Harbor 401k Plan." The Company contributes a safe-harbor match equal to the sum of 100% of the amount of participant's salary reductions that are not in excess of 3% of compensation, plus 50% of the amount of salary reductions that exceed 3% of participant's compensation but not in excess of 5% of compensation. Participant's salary deferrals and Company's safe-harbor match are 100% vested. Any additional Company contributions to the Plan are at the discretion of the Board of Directors, with limitations based on a percentage of the participants' compensation. A participant's interest in his or her discretionary account balance becomes fully vested after completion of five years of service. The Company contributed $478,575 and $494,738 to the Plan in 2020 and 2019, respectively. At December 31, 2020 and 2019, the Plan held 36,371 shares in common stock of Company, respectively.

10. Employee benefits (continued)

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.

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.

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the COVID-19 pandemic and related economic impact on the Bank's operational and financial performance will depend on certain developments, including the duration and spread of the virus and the impact on customers, suppliers, and vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may directly or indirectly impact the Bank's financial condition or results of operations cannot be reasonably estimated at this time.

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, 2020 and 2019, of the various financial instruments entered into by the Bank:

	2020	2019
Commitments to extend credit	$ 126,091,560	$ 123,038,040
Standby letters of credit	2,054,443	1,741,411

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.

12. Financial instruments with off-balance-sheet risk (continued)

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.

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, 2020 and 2019, 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.

13. Minimum regulatory capital requirements (continued)

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, 2020 and 2019, are presented in the table on the following page.

The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019, 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, 2020:						
Company:						
Total Regulatory Capital To risk weighted assets	$96,702,000	14.37%	$53,818,000	≥8.0%	N/A	N/A
Tier I Capital to risk weighted assets	88,291,000	13.12%	40,364,000	≥6.0%	N/A	N/A
Tier I Leverage Capital	88,291,000	7.44%	47,449,000	≥4.0%	N/A	N/A
Common Equity Tier 1 capital (to risk weighted assets):	88,291,000	13.12%	30,273,000	>4.5%	N/A	N/A
Bank:						
Total Regulatory Capital to risk weighted assets	$109,426,000	16.27%	$53,816,000	≥8.0%	$67,270,000	≥10.0%
Tier I Capital to risk weighted assets	101,015,000	15.02%	40,362,000	≥6.0%	53,816,000	≥8.0%
Tier I Leverage Capital	101,015,000	8.52%	47,448,000	≥4.0%	59,310,000	≥5.0%
Common Equity Tier 1 capital (to risk weighted assets):	101,015,000	15.02%	30,272,000	≥4.5%	43,726,000	≥6.50%

13. Minimum regulatory capital requirements (continued)

	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%

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.

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

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.

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:

	Level 1	Level 2	Level 3
December 31, 2020,			
US govt. securities	$ -	$ 11,258,160	$ -
Mortgage-backed securities	-	180,729,058	$ -
State & political subdivisions	-	123,877,546	-
Corporate bonds	-	9,355,568	-
Securities available-for-sale	$ -	$ 325,220,332	$ -
December 31, 2019,			
Mortgage-backed securities	$ -	$ 51,767,542	$ -
State & political subdivisions	-	92,623,687	-
Corporate bonds	-	7,385,603	-
Securities available-for-sale	$ -	$ 151,776,832	$ -

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

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, 2020 or 2019.

There were no transfers between Level 1 or Level 2 during 2020 or 2019.

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.

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

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

	Fair Value Measurements at Reporting Date Using:			
December 31, 2020	Fair Value	Level 1	Level 2	Level 3
Assets:				
Impaired Loans				
Commercial	$ 6,108	$ -	$ -	$ 6,108
Commercial Real Estate	23,400	-	-	23,400
Consumer	516	-	-	516
Residential	11,663	-	-	11,663
Foreclosed Assets	291	-	291	-
Total	$ 41,978	$ -	$ 291	$ 41,687

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

	Fair Value Measurements at Reporting Date Using:			
December 31, 2019	Fair Value	Level 1	Level 2	Level 3
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	956	-	956	-
Total	$ 42,716	$ -	$ 956	$ 41,760

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 $41,687,000 as of December 31, 2020, with a valuation allowance of $1,456,000. As of December 31, 2019, impaired loans had a gross carrying amount of approximately $41,760,000 with a valuation allowance of $1,447,000.

Foreclosed assets measured at fair value less costs to sell, had a net carrying amount of $290,700 and $955,977 as of December 31, 2020 and 2019, 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, 2020 and 2019, the Company utilized the following valuation techniques and significant unobservable inputs.

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

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%.

Financial Instruments

The carrying amounts and estimated fair values of financial instruments at December 31, 2020 are as follows (in thousands):

		Fair Value Measurements at December 31, 2020 Using:			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and due from banks and Interest bearing deposits In other banks	$ 265,134	$ 265,134	$ -	$ -	$ 265,134
Securities available-for-sale	325,220	-	325,220	-	325,220
Securities held to maturity	15,263	-	15,338	-	15,338
Loans, net of allowance	622,535	-	-	640,105	640,105
Other stocks, at cost	7,603	-	7,603	-	7,603
Accrued interest receivable	4,928	-	1,803	3,125	4,928
Financial Liabilities:					
Noninterest bearing deposits	$ 448,229	$ -	$ 448,229	$ -	$ 448,229
Interest bearing deposits	715,322	-	603,787	-	603,787
Securities sold under repurchase agreements	445	-	445	-	445
Other borrowed funds	2,763	-	2,763	-	2,763
Accrued interest payable	222	-	222	-	222
Subordinate debentures	17,323	-	17,323	-	17,323

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, 2019, were as follows (in thousands):

	Carrying Amount	Fair Value Measurements at December 31, 2019 Using: 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

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.

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.

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, 2020 and 2019. 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 $206,383,952, respectively under these agreements at December 31, 2020. There was nothing drawn under the agreement with FNBB at December 31, 2020 and 2019. There were $2,763,431 in advances and a $96,500,000 Letter of Credit outstanding as of December 31, 2020, under the agreement with the FHLB for a total of $99,263,431.

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, 2020 and 2019 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, 2020 and 2019 was approximately $162,200 and $48,000, respectively.

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.

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, 2020 or 2019.

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 2020 and 2019 with respect to loans to officers and directors of the Bank is as follows:

	2020	2019
Balance - beginning of year	$ 2,086,770	$ 2,733,061
New loans	4,692,232	4,559,488
Payments	(4,779,071)	(5,205,779)
Balance - end of year	$ 1,999,931	$ 2,086,770

Included in deposits are deposits from directors, officers, their immediate families, and related companies. These accounts totaled approximately $7,425,251 and $5,337,409 at December 31, 2020 and 2019, 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, 2020 and 2019 is $977,359 and $1,176,866, respectively, and is properly not recorded on the Bank's consolidated financial statements.

19. Forgivable Loan Agreements

During 2019, the Bank executed two 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 one agreement, 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 other 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.

20. Leases

The Bank leases one building under an operating lease expiring in 2023. Leases with an initial term of 12 months or less are not recorded on the balance sheet and lease expense is recognized on a straight-line basis over the lease term. The Bank had no financing leases as of December 31, 2020 or 2019.

The Bank uses its FHLB advance fixed rates, which are the Bank's incremental borrowing rates for secured borrowings, as the discount rates to calculate lease liabilities.

The Company had a right-of-use asset totaling $121,775 and a lease liability totaling $122,791 as of December 31, 2020. The Company recognized lease expense of $129,538 during the year ended December 31, 2020.

As lessee, operating lease liabilities under non-cancellable leases (excluding short-term leases) are as follows:

Year ending December 31st	Amount
2021	$ 42,000
2022	42,750
2023	45,000
Total lease payments	129,750
Less: Interest	(6,959)
Present value of lease liabilities	$ 122,791

21. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, March 23, 2021, and determined that there were no events that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

22. Bank Only Financial Statements

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and due from banks	$ 23,526,805	$ 30,370,741
Interest bearing deposits in other banks	236,950,890	8,428,674
Cash and cash equivalents	260,477,695	38,799,415
Securities available-for-sale	325,220,332	151,776,832
Securities held-to-maturity	15,262,740	18,153,881
Other stocks, at cost	7,602,872	9,661,137
Loans held for sale	918,649	1,041,433
Loans held for investment, less allowances for loan losses of $8,583,239 and $6,609,792 at December 31, 2020 and 2019, respectively	621,616,199	614,124,365
Accrued interest receivable	4,927,549	3,456,612
Bank premises and equipment, net	23,130,056	24,333,369
Other real estate owned	290,700	955,977
Goodwill and other intangibles	4,179,545	4,179,545
Life insurance contracts	17,010,415	13,665,452
Other assets	2,748,195	1,344,334
Total assets	$ 1,283,384,947	$ 881,492,352

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	2020	2019
Deposits		
Demand deposit accounts, non-interest bearing	$ 448,393,836	$ 268,356,126
Demand deposit accounts, interest bearing	244,337,658	158,753,031
Individual retirement accounts	13,747,317	16,012,459
Savings and money market accounts	345,297,897	230,802,164
Certificates of deposit - $250,000 and over	43,673,861	38,119,218
Other certificates of deposit	68,265,220	60,111,769
	1,163,715,789	772,154,767
Securities sold under repurchase agreements	444,926	329,257
Other borrowed funds	2,763,431	3,011,367
Accrued interest payable	222,230	270,209
Accrued expenses and other liabilities	4,794,622	2,134,866
Accrued interest payable on subordinated notes	-	590,625
Dividends payable	-	1,625,087
Total liabilities	1,171,940,998	780,116,178
Commitments and Contingencies	-	-
Stockholder's equity:		
Common stock; $12.50 par value; 1,536,000 shares authorized; 768,000 shares issued and outstanding at December 31, 2020 and 2019	9,600,000	9,600,000
Capital surplus	40,400,000	40,400,000
Undivided profits	54,837,505	50,105,898
Accumulated other comprehensive income	6,606,444	1,270,276
Total stockholder's equity	111,443,949	101,376,174
Total liabilities and stockholder's equity	$ 1,283,384,947	$ 881,492,352

22. Bank Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 33,948,735	$ 34,740,622
Investment securities:		
Taxable	1,829,762	2,054,132
Non-taxable	2,863,868	2,381,914
Federal funds sold and interest bearing deposits in other banks	241,830	691,836
Total interest income	38,884,195	39,868,504
INTEREST EXPENSE		
Interest on deposits	3,383,368	3,207,717
Interest on securities sold under repurchase agreements and other borrowing	157,140	388,608
Total interest expense	3,540,508	3,596,325
NET INTEREST INCOME	35,343,687	36,272,179
Provision for loan losses	2,728,000	696,425
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	32,615,687	35,575,754
NONINTEREST INCOME		
Service charges and fees on deposit accounts	6,950,119	7,034,025
Trust department income	554,855	504,518
Fees and commissions from securities brokerage	442,136	600,586
Gain on sale of mortgage loans held for sale	929,815	565,132
Realized gains on sale of investments	251,957	388,398
Other income	1,286,564	739,004
	10,415,446	9,831,663

22. Bank Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NONINTEREST EXPENSES		
Salaries and employee benefits	$ 18,171,519	$ 18,120,720
Occupancy expenses	5,176,215	5,493,519
Computer and processing expenses	3,684,994	3,084,244
Business promotion and advertising expenses	886,725	1,188,464
Other operating expenses	5,375,682	5,742,594
	33,295,135	33,629,541
INCOME BEFORE INCOME TAX EXPENSE	9,735,998	11,777,876
Income tax expense	1,447,965	1,958,326
NET INCOME	8,288,033	9,819,550
OTHER COMPREHENSIVE INCOME		
Unrealized gains on securities:		
Unrealized holding gains/losses arising during the period net of taxes of $1,471,564 and $788,108	5,535,214	2,966,618
Less: reclassification adjustments for gains included in net income, net of taxes of $52,911 and $81,565	199,046	306,833
	5,336,168	2,659,785
COMPREHENSIVE INCOME	$ 13,624,201	$ 12,479,335

23. Parent Only Financial Statements

BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash in subsidiary bank	$ 117,245	$ 5,882
Cash in Texas Capital	4,655,916	3,553,963
Cash and cash equivalents	4,773,161	3,559,845
Dividend receivable	-	2,215,713
Investment in subsidiary bank	111,443,949	101,376,174
Investment in JD Bank Insurance, LLC	21,781	25,581
Income taxes receivable	296,521	258,227
Total assets	$ 116,535,412	$ 107,435,540

LIABILITIES AND STOCKHOLDERS' EQUITY

	2020	2019
Dividend payable	$ -	$ 920,400
Subordinated Notes	17,323,404	17,161,187
Accrued interest - subordinated notes	492,188	492,188
Total liabilities	17,815,592	18,573,775
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; 1,558,757 shares issued and outstanding at December 31, 2020 and 1,560,000 shares issued and outstanding at December 31, 2019	9,742,231	9,750,000
Additional paid-in capital	3,790,068	3,849,468
Retained earnings	78,783,577	74,341,071
Note Receivable for common stock	(202,500)	(349,050)
Accumulated other comprehensive income	6,606,444	1,270,276
Total stockholders' equity	98,719,820	88,861,765
Total liabilities and stockholders' equity	$ 116,535,412	$ 107,435,540

23. Parent Only Financial Statements (continued)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INCOME		
Dividends from subsidiary bank	$ 3,556,425	$ 5,861,356
Dividends from subsidiary insurance company	100,000	100,000
Interest income	32,266	79,683
	3,688,691	6,041,039
EXPENSES		
Interest expense	1,343,466	1,229,652
Operating expenses	172,516	45,886
Taxes and other expenses	(303,185)	(257,444)
	1,212,797	1,018,094
INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	2,475,894	5,022,945
Equity in undistributed earnings of subsidiaries and excess distribution of earnings	4,727,812	3,924,903
NET INCOME	7,203,706	8,947,848
OTHER COMPREHENSIVE INCOME		
Unrealized gains on securities:		
Unrealized holding gains/ losses arising during the period net of taxes of $1,471,564 and $788,108	5,535,214	2,966,618
Less: reclassification adjustment for realized gains included in net income, net of taxes of $52,911 and $81,565	199,046	306,833
	5,336,168	2,659,785
COMPREHENSIVE INCOME	$ 12,539,874	$ 11,607,633

23. Parent Only Financial Statements (continued)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,203,706	$ 8,947,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	162,216	48,404
Undistributed earnings of Bank	(4,731,607)	(3,958,200)
Changes in dividend receivable	2,215,713	(707,546)
Changes in deferred income tax	(13,772)	-
Changes in income tax receivable	(24,522)	-
Changes in dividend payable	(920,400)	-
Net cash provided by operating activities	3,891,334	4,330,506
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	(2,761,200)	(3,677,247)
Proceeds from issuance of common stock	-	281,743
Retirement of common stock	(67,169)	-
Change in common stock notes receivable	146,550	(349,050)
Distribution from Subsidiary - JD Bank Ins.	3,801	33,293
Net cash used in financing activities	(2,678,018)	(3,711,261)
Increase in cash in subsidiary bank	1,213,316	619,245
Cash in subsidiary bank - beginning of year	3,559,845	2,940,600
Cash in subsidiary bank - end of year	$ 4,773,161	$ 3,559,845

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SUPPLEMENTAL INFORMATION

JD BANK INSURANCE, LLC
FINANCIAL STATEMENTS

P&N
Postlethwaite & Netterville

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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, 2020 and 2019 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 23, 2021

JD BANCSHARES, INC. AND SUBSIDIARIES
JENNINGS, LOUISIANA

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash in parent bank	$ 47,716	$ 41,643
Furniture and equipment, net	-	2,440
Total assets	$ 47,716	$ 44,083

LIABILITIES AND STOCKHOLDER'S EQUITY

	2020	2019
Deferred income taxes payable	$ -	$ 786
Other liabilities	25,935	17,716
Total liabilities	25,935	18,502
Stockholder's equity	685,000	685,000
Retained earnings	(663,219)	(659,419)
Total stockholder's equity	21,781	25,581
Total liabilities and stockholder's equity	$ 47,716	$ 44,083

SUPPLEMENTAL SCHEDULE
JD BANK INSURANCE, LLC FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INCOME		
Commissions earned	$ 124,789	$ 89,494
	124,789	89,494
EXPENSES		
Insurance expenses	87	107
Other operating expenses	28,503	22,680
	28,590	22,787
NET INCOME	$ 96,199	$ 66,707

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 96,199	$ 66,707
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	2,441	2,893
Net change in operating assets and liabilities:		
Income taxes payable and other liabilities	7,433	616
Net cash provided by operating activities	106,073	70,216
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	(100,000)	(100,000)
Net cash used in financing activities	(100,000)	(100,000)
Change in cash in subsidiary bank	6,073	(29,784)
Cash in subsidiary bank - beginning of year	41,643	71,427
Cash in subsidiary bank - end of year	$ 47,716	$ 41,643

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EXECUTIVE OFFICERS

JD BANK

BRUCE W. ELDER
President and Chief Executive Officer

PAUL E. BRUMMETT, II
Executive Vice President and Chief Financial Officer

BAVO GALL
Executive Vice President and Chief Information Officer

DORENE GOTHREAUX
Executive Vice President and Chief Retail Banking Officer

RAMONA SCHEXNIDER
Executive Vice President and Chief Risk Officer

SARA HUVAL
Senior Vice President and Chief Human Resource 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

TERRY J. TERREBONNE

JD BANK LOCATIONS

CARLYSS
4507 Hwy 27 S, Sulphur, LA 70665

EUNICE
300 Park Ave., Eunice, LA 70535

IOWA
414 S. Kinney, Iowa, LA 70647

JENNINGS – MAIN
507 N. Main St., Jennings, LA 70546

JENNINGS – WEST DIVISION
407 W. Division, Jennings, LA 70546

JENNINGS – ROBERTS AVENUE
446 Roberts Ave., Jennings, LA 70546

KINDER
438 N. Ninth St., Kinder, LA 70648

LAFAYETTE – VEROT SCHOOL ROAD
300 Verot School Rd., Lafayette, LA 70508

LAKE ARTHUR
338 Arthur Ave, Lake Arthur, LA 70549

LAKE CHARLES – BIG LAKE
4904 Big Lake Rd., Lake Charles, LA 70605

LAKE CHARLES – HWY 14
2726 Gerstner Memorial Dr., Lake Charles, LA 70601

LAKE CHARLES – KIRBY
535 Kirby St., Lake Charles, LA 70601

LAKE CHARLES – MCNEESE
4100 Ryan St., Lake Charles, LA 70605
TEMPORARILY CLOSED

LAKE CHARLES – MORGANFIELD
4989 E McNeese St., Lake Charles, LA 70607

LAKE CHARLES – NELSON
4400 Nelson Rd., Lake Charles, LA 70605

MAMOU
609 Main St., Mamou, LA 70554

MOSS BLUFF
120 Sam Houston Jones Pkwy., Lake Charles, LA 70611

NEW IBERIA – E. ADMIRAL DOYLE DRIVE
631 E. Admiral Doyle Dr., New Iberia, LA 70560

NEW IBERIA – N. LEWIS STREET
529 N Lewis St., New Iberia, LA 70563

OPELOUSAS
1614 S. Union St., Opelousas, LA 70570

SULPHUR
2905 Maplewood Dr., Sulphur, LA 70663

VILLE PLATTE
1311 W Lasalle, Ville Platte, LA 70586

WELSH
101 N. Adams St., Welsh, LA 70591

WESTLAKE
1511 Sampson St., Westlake, LA 70669

LAFAYETTE – JOHNSTON STREET
3600 Johnston St., Lafayette, LA 70503
OPENING SOON

JDBANK.COM

EQUAL HOUSING LENDER

Member FDIC