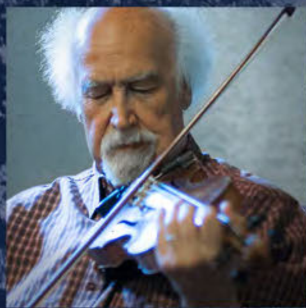
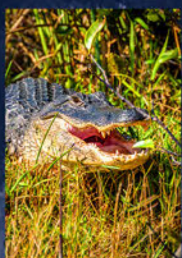
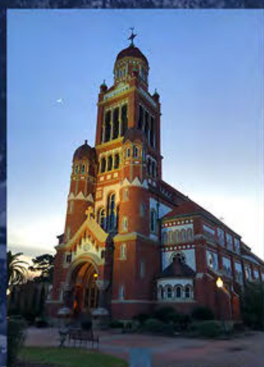
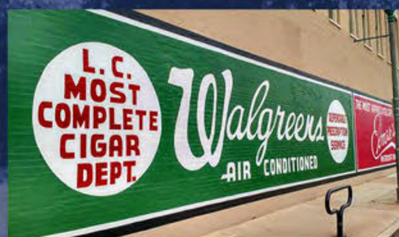
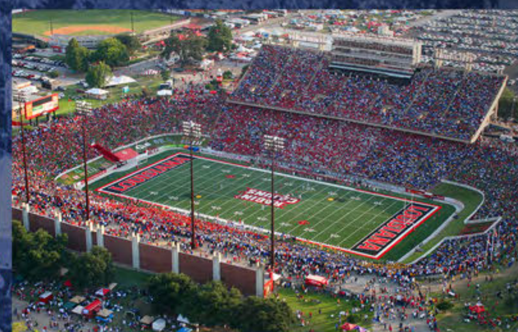


# LOUISIANA'S COMMUNITY BANK™







# ANNUAL REPORT 2021

JD BANCSHARES INC.

President's Message to Shareholders:

JD Bancshares, Inc. started 2021 with the optimism that those challenges of 2020 were in our rearview mirror. However, the COVID-19 pandemic continued to impact economic conditions and the US Government offered a second round of Paycheck Protection Program (PPP) loans to small businesses as well as additional stimulus programs to assist individuals. The effect of all this additional money in the economy was to further increase our deposit base while reducing the demand for new lending opportunities. Even though 2021 brought both new and lingering headwinds, your Company delivered record earnings for the year.

For the year ended December 31, 2021, the Company reported $11.0 million in net income or $3.21 per share. These results represent a 53% increase over the $7.2 million or $2.10 per share net income earned in the comparative prior year period and is the highest level of net income ever reported by JD Bancshares, Inc. The higher net income had a positive effect on Return on Average Equity (ROE) and Return on Average Assets (ROA). ROE for the current year increased to 11.24% from 7.65% for the prior year and ROA increased to 0.82% from 0.70% a year ago. The increase in ROA was less pronounced than that of ROE as the denominator of the calculation, total average assets, grew by over $307 million or 30% year-over-year. The $3.8 million increase in net income was due to a decrease in the provision for loan losses, an increase in both non-interest and interest income and partially offset by an increase in non-interest expenses.

As COVID-19 became the dominant storyline beginning in March 2020, there was tremendous uncertainty throughout the banking industry regarding the pandemic's impact on borrowers' ability to meet payment obligations on outstanding loans. As a result, the Company increased its loan loss provisions significantly in 2020. As we moved into 2021, the amount of government stimulus injected into the economy strengthened the balance sheets of both our small business and consumer clients. As some of that uncertainty began to wane, the level of provisioning returned to a more normalized level. Provisions for loan losses declined by almost $2.4 million in 2021 compared to the prior year.

Non-interest income increased by $2.4 million in 2021 compared to 2020. The two primary drivers were interchange revenue from debit card transactions and gains on the sale of originated mortgage loans. Due primarily to the growth in the volume of deposit customers and an enhanced level of consumer spending in 2021, interchange revenue increased by $1.6 million over the prior year. Historically low interest rates caused a surge in new and refinance mortgage loan activity resulting in over $83 million in mortgage originations. Gains on the sale of loans into the secondary market increased by $676,000 in 2021 compared to 2020.

Net interest income increased by $1.8 million in 2021 compared to the prior year. Interest income on investment securities increased by approximately $2.6 million as we grew the average portfolio of securities by $245 million over the year. The availability of government sponsored PPP loans at a 1% interest rate reduced the demand for new, non-PPP loans. Due to a lower volume of average loans outstanding during the year, interest income on loans declined by $1.2 million. Although we experienced a higher level of average interest-bearing deposits in 2021, the lower rate environment resulted in a decline in interest expense of $352,000 compared to last year.

Non-interest expenses increased by $1.8 million in 2021. Categories experiencing the greatest increases include data processing ($521,000), FDIC deposit insurance ($361,000), fraud losses ($332,000) and losses on the disposal of other real estate owned ($308,000). Salaries and employee benefits expense declined by $161,000 over the prior year. Despite the increase in non-interest expenses, we remain focused on improving our efficiency as evidenced by a decrease in our efficiency ratio to 70.44% compared to 74.86% a year ago.

In 2021, we opened one new branch office and filled an important vacancy on our Executive Management team. We had a Grand Opening event at our new Johnston Street Branch located in Lafayette, Louisiana in June 2021. Johnston Street becomes our second full-service location in Lafayette and joins our Verot School location in serving that community. Bryan Theriot and his team at Johnson Street are ready to provide you and your business an exceptional customer experience. We entered 2021 with an opening on our Executive Management team. We spent several months interviewing potential candidates, yet over that time, an existing JD Bank teammate was demonstrating, through his actions and dedication, that he was the obvious choice. In May 2021, we named James A. LeBlanc (Jimmy) as our new Chief Commercial Banking Officer. Jimmy joined the JD Bank family in 2013 as a result of a merger with Guaranty Bank. I hope you will join me in thanking Jimmy for his service and hard work.

We had three corporate actions that were consummated in 2021. In December of 2020, the Board of Directors approved a 10% stock dividend payable in January 2021. Each existing stockholder received one new share of JD Bancshares, Inc. stock for each ten shares held. In August 2021, the Company issued a 2-for-1 stock split affected as a 100% stock dividend. While stock splits do not change the overall value of each stockholder’s position, we hoped that by increasing the number of shares outstanding trading volumes might expand and have a positive impact on the stock price. Finally, in December 2021, the Company issued $30 million of subordinated debt carrying an interest rate of 3.75%. In 2017 we issued $17.5 million in subordinated debt at 6.75% which was callable at our option in January 2022. We used a portion of the new issuance to redeem the previously issued debt and the remaining proceeds will be used to support our growth and other corporate initiatives.

On March 12, 1947, JD Bank opened its doors for business in Jennings, Louisiana. For 75 years, this Company has served the financial needs of small businesses and consumers in Southwest Louisiana. In today’s fast paced and changing world, the stability and longevity of a strong community bank is worthy of celebration! Part of that celebration was to make 25 donations of $3,000 each, totaling $75,000, to 25 different organizations who work each day to make our communities a better place to live.

In closing, I want to thank your Board of Directors, management and all teammates of JD Bank for their efforts to make JD Bank Louisiana’s Community Bank. Our mission is to create value for customers, employees, stockholders and communities. Balancing value creation over these four constituents requires precision teamwork and serves as our guiding principle today and into the future.

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)**

| | 2021 | 2020 | Change |
|---|---|---|---|
| Deposits and Repurchase Agreements | $ 1,201,760 | $ 1,163,996 | 3.24% |
| Loans (Net) | 614,375 | 621,616 | -1.16% |
| Net Income | 11,015 | 7,204 | 52.90% |
| Stockholder's Equity | 101,229 | 98,720 | 2.54% |
| Dividends Declared | 3,172 | 2,761 | 14.89% |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Assets and Liabilities at Year End | | | | | |
| Total Assets | $ 1,356,576 | $ 1,288,055 | $ 885,049 | $ 864,688 | $ 869,364 |
| Loans (Net) | 614,375 | 621,616 | 615,166 | 619,775 | 599,307 |
| Investments Available-for-Sale (AFS) (Fair Value) | 471,851 | 325,220 | 151,777 | 126,408 | 141,512 |
| Investments Held-to-Maturity (HTM) (at Amortized Cost) | 13,531 | 15,263 | 18,154 | 22,408 | 24,048 |
| Other Stocks | 7,503 | 7,603 | 9,661 | 8,313 | 8,260 |
| Deposits and Repurchase Agreements | 1,201,760 | 1,163,996 | 772,432 | 759,281 | 733,525 |
| Stockholders' Equity | | | | | |
| Common Stock | $ 21,438 | $ 9,742 | $ 9,750 | $ 9,720 | $ 9,720 |
| Surplus | 10,549 | 3,790 | 3,850 | 3,598 | 3,598 |
| Undivided Profits | 68,142 | 78,784 | 74,341 | 69,073 | 63,166 |
| Accumulated Other Comprehensive Income (Loss) | 1,271 | 6,606 | 1,270 | (1,390) | 6 |
| Note Receivable on Common Stock | (171) | (202) | (349) | - | - |
| Total Stockholders' Equity | $ 101,229 | $ 98,720 | $ 88,862 | $ 81,001 | $ 76,490 |
| Earnings for the Year | | | | | |
| Consolidated Net Income | $ 11,015 | $ 7,204 | $ 8,948 | $ 9,391 | $ 6,214 |
| Net Interest Income | 35,804 | 34,032 | 35,287 | 33,033 | 32,135 |
| Non Interest Income | 12,908 | 10,540 | 9,756 | 11,251 | 9,024 |
| Non Interest Expense | 35,236 | 33,471 | 33,681 | 32,745 | 31,952 |
| Cash Dividends | 3,172 | 2,761 | 3,680 | 3,484 | 3,421 |
| Per Share Data | | | | | |
| Net Income | $ 3.21 | $ 2.10 | $ 2.61 | $ 2.74 | 1.82 |
| Cash Dividends | 0.92 | 1.77 | 2.36 | 2.24 | 2.20 |
| Book Value at Year-end | 29.51 | 28.79 | 25.89 | 23.67 | 22.36 |
| Return on Average Assets | 0.82 % | 0.70 % | 1.02 % | 1.09 % | 0.80 % |
| Return on Average Equity | 11.24 % | 7.65 % | 10.85 % | 11.59 % | 8.12 % |

*(This page intentionally left blank)*

WIPFLI

235 Peachtree Street, NE
Suite 1800
Atlanta, GA 30303

404 588 4200
wipfli.com

**Independent Auditor's Report**

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

***Opinion***

We have audited the consolidated financial statements (the “financial statements”) of JD Bancshares, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JD Bancshares, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Other Matter***

*Prior Period Financial Statements*

The financial statements of JD Bancshares, Inc. and Subsidiaries as of December 31, 2020, were audited by other auditors, Postlethwaite & Netterville ("P&N"), whose report dated March 23, 2021 expressed an unmodified opinion on those financial statements.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Wipfli LLP

Atlanta, Georgia
March 30, 2022

*(This page intentionally left blank)*

**JD BANCSHARES, INC. AND SUBSIDIARIES**
**JENNINGS, LOUISIANA**

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**

## A S S E T S

| | 2021 | 2020 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 18,552,783 | $ 23,526,805 |
| Interest bearing deposits in other banks | 175,657,295 | 241,606,806 |
| Cash and cash equivalents | 194,210,078 | 265,133,611 |
| Securities available-for-sale | 471,851,343 | 325,220,332 |
| Securities held-to-maturity | 13,530,692 | 15,262,740 |
| Other stocks | 7,502,719 | 7,602,872 |
| Loans held for sale | 705,950 | 918,649 |
| Loans held for investment, net allowances for loan losses of $8,189,747 and $8,583,239 at December 31, 2021 and 2020, respectively | 614,375,277 | 621,616,199 |
| Accrued interest receivable | 4,492,037 | 4,927,549 |
| Bank premises and equipment, net | 23,160,984 | 23,130,056 |
| Other real estate owned | 1,053,698 | 290,700 |
| Goodwill | 4,179,545 | 4,179,545 |
| Life insurance contracts | 17,059,118 | 17,010,415 |
| Other assets | 4,454,953 | 2,761,967 |
| **Total Assets** | $ 1,356,576,394 | $ 1,288,054,635 |

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

**JD BANCSHARES, INC. AND SUBSIDIARIES**
**JENNINGS, LOUISIANA**

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**

## L I A B I L I T I E S   A N D   S T O C K H O L D E R S'   E Q U I T Y

| | 2021 | 2020 |
|---|---|---|
| LIABILITIES | | |
| Deposits | | |
| Demand deposit accounts, non-interest bearing | $ 419,021,686 | $ 448,228,875 |
| Demand deposit accounts, interest bearing | 241,045,730 | 244,337,658 |
| Individual retirement accounts | 13,528,194 | 13,747,317 |
| Savings and money market accounts | 425,749,333 | 345,297,897 |
| Certificates of deposit - $250,000 and over | 33,297,133 | 43,673,861 |
| Other certificates of deposit | 68,798,276 | 68,265,220 |
| | 1,201,440,352 | 1,163,550,828 |
| Securities sold under repurchase agreements | 319,695 | 444,926 |
| Other borrowed funds | - | 2,763,431 |
| Accrued interest payable | 709,693 | 714,418 |
| Accrued expenses and other liabilities | 5,993,145 | 4,537,808 |
| Subordinated debentures | 46,884,050 | 17,323,404 |
| Total liabilities | 1,255,346,935 | 1,189,334,815 |
| 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; 3,430,060 shares issued and outstanding at December 31, 2021 and 1,558,757 shares issued and outstanding at December 31, 2020 | 21,437,875 | 9,742,231 |
| Additional paid-in-capital | 10,548,523 | 3,790,068 |
| Retained earnings | 68,141,922 | 78,783,577 |
| Notes receivable for common stock | (170,502) | (202,500) |
| Accumulated other comprehensive income | 1,271,641 | 6,606,444 |
| Total stockholders' equity | 101,229,459 | 98,719,820 |
| **Total Liabilities and Stockholders' Equity** | $ 1,356,576,394 | $ 1,288,054,635 |

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, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| INTEREST AND DIVIDEND INCOME | | |
| Interest and fees on loans | $ 32,784,054 | $ 33,948,735 |
| Investment securities: | | |
| Taxable | 4,089,734 | 1,829,762 |
| Non-taxable | 3,201,034 | 2,863,868 |
| Other | 260,879 | 274,100 |
| Total interest income | 40,335,701 | 38,916,465 |
| INTEREST EXPENSE | | |
| Interest on deposits | 3,037,489 | 3,383,368 |
| Interest on subordinated notes | 1,408,540 | 1,343,466 |
| Interest on federal funds purchased and securities sold under repurchase agreement | 85,843 | 157,140 |
| Total interest expense | 4,531,872 | 4,883,974 |
| **NET INTEREST INCOME** | 35,803,829 | 34,032,491 |
| Provision for loan losses | 330,000 | 2,728,000 |
| **NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES** | 35,473,829 | 31,304,491 |
| NONINTEREST INCOME | | |
| Service charges and fees on deposit accounts | 8,723,760 | 6,950,119 |
| Trust department income | 594,272 | 554,855 |
| Fees and commissions from securities brokerage | 752,722 | 442,136 |
| Gain on sale of mortgage loans held for sale | 1,605,749 | 929,815 |
| Realized gains on sale of securities available-for-sale | 6,682 | 251,957 |
| Income from life insurance contracts | 382,194 | 344,963 |
| Other income | 842,391 | 1,066,390 |
| | 12,907,770 | 10,540,235 |

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, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| NONINTEREST EXPENSES | | |
| Salaries and employee benefits | $ 18,010,588 | $ 18,171,519 |
| Occupancy expenses | 5,187,603 | 5,178,655 |
| Computer and processing expenses | 4,206,408 | 3,684,994 |
| Business promotion and advertising expenses | 889,601 | 886,725 |
| Other operating expenses | 6,941,453 | 5,548,776 |
| | 35,235,653 | 33,470,669 |
| **INCOME BEFORE INCOME TAX EXPENSE** | 13,145,946 | 8,374,057 |
| Income tax expense | 2,130,978 | 1,170,351 |
| **NET INCOME** | $ 11,014,968 | $ 7,203,706 |
| Per common share data: | | |
| Earnings | $ 3.21 | $ 2.10 |
| Weighted average number of shares outstanding | 3,429,564 | 3,429,340 |

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

**JD BANCSHARES, INC. AND SUBSIDIARIES**
**JENNINGS, LOUISIANA**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| **NET INCOME** | $ 11,014,968 | $ 7,203,706 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Unrealized gains/losses on securities: | | |
| Unrealized holdings gains/losses arising during the period, net of tax of ($1,432,855) and $1,471,564, respectively | (5,329,524) | 5,535,214 |
| Less: reclassification adjustments for gains included in net income, net of tax of $1,403 and $52,911, respectively | (5,279) | (199,046) |
| Total other comprehensive income (loss) | (5,334,803) | 5,336,168 |
| **TOTAL COMPREHENSIVE INCOME** | $ 5,680,165 | $ 12,539,874 |

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

*(This page intentionally left blank)*

**JD BANCSHARES, INC. AND SUBSIDIARIES**
**JENNINGS, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | Common Stock | | | |
|---|---|---|---|---|
| | Shares | Amount | Notes Receivable | Additional Paid-in-Capital |
| 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) |
| Forgiveness of notes receivable | - | - | 146,550 | - |
| Other Comprehensive Income | - | - | - | - |
| Dividends on common stock, $1.77 per share | - | - | - | - |
| Balance at December 31, 2020 | 1,558,757 | 9,742,231 | (202,500) | 3,790,068 |
| Net income | - | - | - | - |
| 10% Common stock dividend | 155,773 | 973,581 | - | 6,735,625 |
| Common stock issuance with note receivable | 500 | 3,125 | (25,955) | 22,830 |
| Stock split effected in the form of a dividend | 1,715,030 | 10,718,938 | - | - |
| Stock dividend issuance costs | - | - | - | - |
| Forgiveness of notes receivable | - | - | 57,953 | - |
| Other Comprehensive loss | - | - | - | - |
| Dividends on common stock, $.92 per share | - | - | - | - |
| Balance at December 31, 2021 | 3,430,060 | $ 21,437,875 | $ (170,502) | $ 10,548,523 |

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

| Retained Earnings | Accumulated Other Comprehensive Income | Total |
|---|---|---|
| $ 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 |
| 11,014,968 | - | 11,014,968 |
| (7,709,206) | - | - |
| - | - | - |
| (10,718,938) | - | - |
| (56,123) | - | (56,123) |
| - | - | 57,953 |
| - | (5,334,803) | (5,334,803) |
| (3,172,356) | - | (3,172,356) |
| $ 68,141,922 | $ 1,271,641 | $ 101,229,459 |

**JD BANCSHARES, INC. AND SUBSIDIARIES**
**JENNINGS, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 11,014,968 | $ 7,203,706 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock-based compensation expense | 57,953 | 146,550 |
| Depreciation | 2,248,614 | 2,406,791 |
| Provision for loan losses | 330,000 | 2,728,000 |
| Change in cash surrender value of life insurance | (348,994) | (344,963) |
| Write-down of other real estate | 316,886 | 116,732 |
| Net amortization of securities available-for-sale | 2,745,206 | 1,328,390 |
| Amortization of debt issuance costs | 177,975 | 162,217 |
| Deferred income taxes | (106,103) | (608,279) |
| Loss on sales of other real estate and property | 383,569 | - |
| Loss (gain) on sales of premises and equipment | 48,723 | (506,389) |
| Gain on the sale of available-for-sale securities | (6,682) | (251,957) |
| Net change in operating assets and liabilities: | | |
| Other operating assets and liabilities | 1,386,833 | 410,461 |
| Loans held for sale | 212,699 | 122,784 |
| Interest receivable | 435,512 | (1,470,937) |
| Interest payable | (4,725) | (47,979) |
| Net cash provided by operating activities | 18,892,434 | 11,395,127 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from calls, paydowns, and maturities of available-for-sale securities | 35,367,004 | 25,807,942 |
| Proceeds from sales of available-for-sale securities | 24,876,813 | 7,129,469 |
| Maturities of held-to-maturity securities | 7,483,015 | 2,850,615 |
| Purchases of available-for-sale securities | (216,332,348) | (198,603,732) |
| Purchases of held-to-maturity securities | (5,785,000) | - |
| Proceeds from life insurance policy | 300,291 | - |
| Purchases of life insurance policies | - | (3,000,000) |
| Loan originations, net of principal repayment | 5,133,009 | (10,266,834) |
| Purchases of bank premises and equipment | (2,395,802) | (1,743,381) |
| Proceeds from sales of bank premises and equipment | 67,537 | 1,048,732 |
| Proceeds from sales of other real estate and property | 314,460 | 595,545 |
| Net cash used in investing activities | (150,971,021) | (176,181,644) |

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

**JD BANCSHARES, INC. AND SUBSIDIARIES**
**JENNINGS, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net increase in deposits | $ 37,889,524 | $ 391,447,786 |
| Net increase (decrease) in repurchase agreements | (125,231) | (132,267) |
| Repayment of other borrowed funds | (2,763,431) | - |
| Payment of dividends | (3,172,356) | (3,681,600) |
| Proceeds from issuance of subordinated notes | 30,000,000 | - |
| Subordinated notes issuance costs | (617,329) | - |
| Retirement of common stock | - | (67,169) |
| Stock dividend issuance costs | (56,123) | - |
| Net cash provided by financing activities | 61,155,054 | 387,566,750 |
| Net increase (decrease) in cash and cash equivalents | (70,923,533) | 222,780,233 |
| Cash and cash equivalents - beginning of year | 265,133,611 | 42,353,378 |
| Cash and cash equivalents - end of year | $ 194,210,078 | $ 265,133,611 |

**Supplemental disclosures of cash flow information:**

| | 2021 | 2020 |
|---|---|---|
| Cash paid for interest | $ 4,536,597 | $ 2,245,506 |
| Cash paid for income taxes | $ 443,180 | $ 1,333,594 |
| Transfer of loans to other real estate | $ 1,777,913 | $ 47,000 |

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.

Comprehensive income (loss)

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

Use of estimates

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

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

1. Summary of significant accounting policies (continued)

Use of estimates (continued)

for loan losses. 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 allowance for loan losses 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 90 days or less 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 trading account securities during the years ended December 31, 2021 and 2020. Held-to-maturity securities are stated at amortized cost. Available-for-sale securities are stated at fair value, with unrealized gains and losses, net of income taxes, reported as other comprehensive income (loss) until realized.

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

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. Premiums that exceed the amount repayable by the

1. Summary of significant accounting policies (continued)

Securities (continued)

issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. 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.

Marketable equity securities have a readily determinable value and are measured at fair value with changes in fair value reported in non-interest income. Gains and losses on the sale of marketable equity securities are recorded on the trade date and determined using the specific-identification method.

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. Realized gains and losses are recognized as non-interest income in the financial statements for the year of sale.

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 discounts relate principally to residential installment loans. Interest on loans is recognized as income 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.

1. Summary of significant accounting policies (continued)

Loans (continued)

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.

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-impaired loans and is based on historical loss experience adjusted for qualitative factors.

Management considers the following when assessing risk in the Company's loan portfolio segments:

Commercial real estate loans are dependent on the industries tied to these loans. Agricultural loans are included in commercial real estate loans and are primarily for land acquisition. Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type.

1. Summary of significant accounting policies (continued)

Allowance for loan losses (continued)

Residential real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.

Commercial loans are primarily for working capital, physical asset expansion, asset acquisition loans and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and are periodically updated during the life of the loan.

Consumer loans may take the form of installment loans, demand loans, or single payment loans and are extended to individual for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

Bank premises and equipment

Bank premises and equipment are stated at cost less accumulated depreciation, which is computed using straight-line 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.

Goodwill

Goodwill is subject to a periodic impairment test at least annually and whenever events or changes in circumstances indicate it is more likely than not that the fair value of goodwill is less than its carrying amount. The Company has performed impairment tests on its goodwill and determined that there is no impairment at December 31, 2021 or 2020.

1. Summary of significant accounting policies (continued)

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.

Off Balance sheet instruments

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

Statements of cash flows

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

Life insurance contracts

Life insurance contracts represent single premium life insurance contracts on the lives of certain officers of the Company. The Company is the owner of these policies, which were purchased as a vehicle to fund split dollar endorsement plans.

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.

1. Summary of significant accounting policies (continued)

Income taxes (continued)

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.

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. The weighted-average number of common shares outstanding for the years ended December 31, 2021 and 2020 are adjusted for the 10% stock dividend on January 4, 2021 and the 2-for-1 stock split that occurred on August 20, 2021. The resulting weighted-average number of common shares outstanding are 3,429,564 and 3,429,340 for 2021 and 2020, respectively.

Stock dividend

On January 4, 2021, the Company paid a 10% stock dividend to shareholders of record as of December 28, 2020. Shares in the amount of 155,773 were issued as a result of the 10% stock dividend.

On July 21, 2021 the Company announced that its Board of Directors had declared a 2-for-1 stock split of its common shares. The stock split was affected in the form of a 100% stock dividend and shareholders received one additional share of common stock for every share held on the record date. The additional shares were distributed on August 20, 2021 to shareholders of record at the close of business August 13, 2021. Shares in the amount of 1,715,030 were issued as a result of the 2-for-1 stock split.

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

The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the consolidated statements of operations as components of noninterest income.

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

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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.

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

Effective March 12, 2021, the Federal Reserve's board of directors approved the final rule reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of

2. Cash and due from banks (continued)

$250,000. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

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, 2021, consisted of the following:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Treasury securities | $ 74,293,758 | $ - | $ (311,333) | $ 73,982,425 |
| US Govt. agency securities | 17,174,053 | - | (512,246) | 16,661,807 |
| Mortgage-backed securities | 229,604,206 | 700,707 | (4,591,576) | 225,713,337 |
| States and political subdivisions | 136,674,701 | 6,612,394 | (430,028) | 142,857,067 |
| Corporate bonds | 12,494,974 | 170,839 | (29,106) | 12,636,707 |
| Totals | $ 470,241,692 | $ 7,483,940 | $ (5,874,289) | $ 471,851,343 |

At December 31, 2021 and 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.

Securities classified as held-to-maturity at December 31, 2021, consisted of the following:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| States and political subdivisions | $ 13,530,692 | $ 42,991 | $ (255,352) | $ 13,318,331 |

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 |

## 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 |

The following is a summary of amortized cost and estimated market value of debt securities by contractual maturity as of December 31, 2021. Contractual maturities will differ from expected maturities for mortgage-related securities because borrowers may have the right to call or prepay obligations without penalties.

| Available-for-Sale: | Amortized Cost | Fair Value |
|---|---|---|
| Within one year | $ 420,865 | $ 425,847 |
| Greater than one but within five years | 2,823,055 | 2,772,316 |
| Greater than five but within ten years | 102,270,469 | 101,665,761 |
| Greater than ten years | 135,123,097 | 141,274,082 |
| Subtotal | 240,637,485 | 246,138,006 |
| Mortgage-backed securities | 229,604,206 | 225,713,337 |
| Total | $ 470,241,692 | $ 471,851,343 |

| Held-to-Maturity: | Amortized Cost |
|---|---|
| Within one year | $ 2,093,169 |
| Greater than one but within five years | 7,848,503 |
| Greater than five but within ten years | 1,924,020 |
| Greater than ten years | 1,665,000 |
| | $ 13,530,692 |

Investment securities with carrying values of approximately $58,363,000 and $1,490,000 at December 31, 2021 and 2020, 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, 2021, JD Bank also has a $97,000,000 fluctuating balance letter of credit with Federal Home Loan Bank of Dallas for the purpose of securing public funds, of which, $34,065,000 was pledged.

3. Investment securities (continued)

Information pertaining to securities with gross unrealized losses at December 31, 2021, 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 |
| Treasury Securities | 9 | $ (311,333) | $ 73,982,425 | - | $ - | $ - |
| US Govt. Agency Securities | 4 | (289,578) | 9,884,474 | 3 | (222,668) | 6,777,333 |
| State and political Subdivisions | 21 | (263,634) | 19,830,037 | 9 | (166,394) | 9,472,467 |
| Corporate bonds | 3 | (29,106) | 2,970,894 | - | - | - |
| Mortgage-backed Securities | 47 | (1,628,474) | 107,052,631 | 31 | (2,963,102) | 58,495,332 |
| Totals | 84 | $ (2,522,125) | $ 213,720,461 | 43 | $ (3,352,164) | $ 74,745,132 |

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 | 5 | $ (255,352) | $ 5,529,648 | - | $ - | $ - |

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 |

3. Investment securities (continued)

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 |

Most of these unrealized losses resulted 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. The Company follows FASB guidance related to the recognition and presentation of other-than-temporary impairment. The guidance specifies that if an entity does not have the intent to sell a debt security prior to recovery, the security would not be considered other-than-temporary impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not that the entity will not have to sell the security before recovery of its cost basis, it will be recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. 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.

The following is a summary of the proceeds from sales of securities available-for-sale, as well as gross gains and losses for the years ended December 31, 2021 and 2020.

Available-for-Sale:

| | 2021 | 2020 |
|---|---|---|
| Proceeds from sales of securities | $ 24,876,813 | $ 7,129,469 |
| Gross gains on sales | 107,701 | 251,957 |
| Gross losses on sales | 101,019 | - |

4. Loans and allowance for loan losses

The components of loans in the consolidated balance sheets at December 31, 2021 and 2020 were as follows (in thousands):

| | 2021 | 2020 |
|---|---|---|
| Commercial loans | $ 91,441 | $ 81,056 |
| Commercial real estate loans | 272,055 | 248,607 |
| Consumer loans | 32,666 | 30,258 |
| Residential loans | 210,797 | 211,693 |
| PPP, net of deferred fees | 15,606 | 58,585 |
| | 622,565 | 630,199 |
| Allowances for loan losses | (8,190) | (8,583) |
| Loans, net | $ 614,375 | $ 621,616 |

During the year ended December 31, 2020, the Bank originated $73,985,908 in Paycheck Protection Program (PPP) loans under the Coronavirus Aid, Relief and Economic Security (CARES) Act. These loans are guaranteed by the Small Business Administration (SBA). The Bank began accepting forgiveness applications on September 21, 2020. As of December 31, 2020, there were $58,584,805 in PPP loans, net of deferred fees, that remained outstanding. During the year ended December 31, 2021, the Bank originated an additional $36,365,729 in PPP loans. The interest rate on all PPP loans was set at 1% and fees were calculated based on the loan balance, ranging between 1% and 5%. There were a total of $15,606,519 PPP loans, net of deferred fess, outstanding at December 31, 2021. These are loans that are 100% guaranteed by the 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 $2,683,000 and $1,440,000 in fee income associated with the origination of these loans, and has approximately $619,000 and $973,000 in deferred income as of December 31, 2021 and 2020, respectively.

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.

Deposit accounts in an overdraft position and reclassified as loans totaled approximately $456,000 at December 31, 2021 and $211,000 at December 31, 2020.

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.

4. Loans and allowance for loan losses (continued)

The Bank's Estimation Process (continued)

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

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

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the consolidated balance sheet date. The Bank considers the allowance for loan losses of $8,189,747 and $8,583,239 adequate to cover loan losses inherent in the loan portfolio at December 31, 2021 and 2020 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, 2021

| | Commercial | Commercial Real Estate | Consumer | Residential | PPP, net of deferred fees | Total |
|---|---|---|---|---|---|---|
| **Allowance for Loan Losses (in thousands):** | | | | | | |
| Beginning balance | $ 2,119 | $ 1,950 | $ 1,742 | $ 2,772 | $ - | $ 8,583 |
| Charge-offs | (349) | (584) | (244) | (164) | - | (1,341) |
| Recoveries | 55 | 369 | 167 | 27 | - | 618 |
| Provision (credit) | 86 | 1,408 | (1,204) | 40 | - | 330 |
| Ending balance | $ 1,911 | $ 3,143 | $ 461 | $ 2,675 | $ - | $ 8,190 |
| Ending allowance balance, individually evaluated for impairment | $ 152 | $ 58 | $ 3 | $ 249 | $ - | $ 462 |
| Ending allowance balance, collectively evaluated for impairment | $ 1,759 | $ 3,085 | $ 458 | $ 2,426 | $ - | $ 7,728 |
| **Loans (in thousands):** | | | | | | |
| Ending loan balance, individually evaluated for impairment | $ 480 | $ 4,508 | $ 71 | $ 2,020 | $ - | $ 7,079 |
| Ending loan balance, collectively evaluated for impairment | $ 90,961 | $ 267,547 | $ 32,595 | $ 208,777 | $ - | $ 599,880 |
| Ending total loan balance | $ 91,441 | $ 272,055 | $ 32,666 | $ 210,797 | $ 15,606 | $ 622,565 |

Loans and allowance for loan losses (continued)

Loans by Segment (continued)

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 | $ 434 | $ 279 | $ - | $ 98 | $ - | $ 811 |
| Ending allowance balance, collectively evaluated for impairment | $ 1,685 | $ 1,671 | $ 1,742 | $ 2,674 | $ - | $ 7,772 |
| **Loans (in thousands):** | | | | | | |
| Ending loan balance, individually evaluated for impairment | $ 2,318 | $ 8,431 | $ 143 | $ 1,460 | $ - | $ 12,352 |
| Ending loan balance, collectively evaluated for impairment | $ 78,738 | $ 240,176 | $ 30,115 | $ 210,233 | $ - | $ 559,262 |
| Ending total loan balance | $ 81,056 | $ 248,607 | $ 30,258 | $ 211,693 | $ 58,585 | $ 630,199 |

Credit Quality Information

All commercial 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.

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. Loans and allowance for loan losses (continued)

Credit Quality Information (continued)

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans and allowance for loan losses (continued)

Credit Quality Information (continued)

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

Credit Quality Indicators
Credit Risk Profile by Creditworthiness Category by Class of Loan
December 31, 2021

| | Commercial Loans | Commercial Real Estate | Residential Loans | Consumer Loans | PPP, net of Deferred Fees |
|---|---|---|---|---|---|
| Risk Rating 1 | $ 3,618 | $ 9,048 | $ - | $ - | $ 15,606 |
| Risk Rating 2 | 8,321 | 44,022 | - | - | - |
| Risk Rating 3 | 43,425 | 181,137 | - | - | - |
| Risk Rating 4 | 20,582 | 16,602 | - | - | - |
| Risk Rating 5 | 13,407 | 12,336 | - | - | - |
| Risk Rating 6 | 2,088 | 8,910 | - | - | - |
| Risk Rating 7 | - | - | - | - | - |
| Risk Rating 8 | - | - | - | - | - |
| Pass | - | - | 199,357 | - | - |
| Special Mention | - | - | 4,154 | - | - |
| Substandard | - | - | 7,286 | - | - |
| Doubtful | - | - | - | - | - |
| Performing | - | - | - | 32,520 | - |
| Non-performing | - | - | - | 146 | - |
| Total | $ 91,441 | $ 272,055 | $ 210,797 | $ 32,666 | $ 15,606 |

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 |

4. Loans and allowance for loan losses (continued)

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.

The following table includes loans modified as TDRs by portfolio class during the year ended December 31, 2021:

| | Number of Loans | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
|---|---|---|---|
| Troubled Debt Restructurings: | | | |
| Residential | 1 | $ 247,444 | $ 245,931 |
| Commercial Real Estate | 1 | 752,549 | 752,549 |
| Total | 2 | $ 999,993 | $ 998,480 |

The following table includes loans modified as TDRs by portfolio class during the year ended December 31, 2020:

| | Number of Loans | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
|---|---|---|---|
| Troubled Debt Restructurings: | | | |
| Residential | 3 | $ 276,368 | $ 275,358 |
| Commercial Real Estate | 3 | 3,333,030 | 3,322,218 |
| Commercial | 3 | 231,739 | 228,456 |
| Total | 9 | $ 3,841,137 | $ 3,826,032 |

4. Loans and allowance for loan losses (continued)

Troubled Debt Restructurings (continued)

The modification of the terms of such commercial loans performed during the year ending December 31, 2021 and 2020 included an extension to the maturity of the loans. The modification of the commercial real estate loans performed during the year ended December 31, 2021 and 2020 included an extension of the maturity date. The modification of the residential loan during December 31, 2021 and 2020 included an extension in maturity date and a stated rate of interest lower than the current market rate. There is one TDR loan modified within the previous 12 months totaling $806,970 that defaulted during the year ended December 31, 2021. All other loans are performing in accordance with the modified terms.

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, 2021.

Credit Quality Information
Age Analysis of Past Due Loans by Class of Loan
As of December 31, 2021
(in thousands)

| | 30-89 Days Past Due | Greater than 90 Days & still accruing | Total Past Due | Nonaccruals | Current | Total |
|---|---|---|---|---|---|---|
| Commercial | $ 27 | $ - | $ 27 | $ 270 | $ 91,144 | $ 91,441 |
| Commercial Real Estate | 513 | - | 513 | 746 | 270,796 | 272,055 |
| Consumer | 126 | - | 126 | 146 | 32,394 | 32,666 |
| Residential | 633 | - | 633 | 2,938 | 207,226 | 210,797 |
| PPP, net of deferred fees | - | - | - | - | 15,606 | 15,606 |
| Ending balance | $ 1,299 | $ - | $ 1,299 | $ 4,100 | $ 617,166 | $ 622,565 |

4. Loans and allowance for loan losses (continued)

Age Analysis of Past Due Loans by Class (continued)

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 |
|---|---|---|---|---|---|---|
| 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 |
| Residential | 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 |

Nonaccrual loans

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 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 TDRs and non-performing loans with balances of $100,000 or greater. 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.

4. Loans and allowance for loan losses (continued)

Impaired loans (continued)

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 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.

Impaired loans information
Impaired loans by class with no related allowance recorded
As of December 31, 2021
(in thousands)

| | Recorded Investment | Unpaid Principal balance | Related allowance | Interest income recognized | Average Recorded Investment |
|---|---|---|---|---|---|
| Commercial | $ 210 | $ 210 | $ - | $ 13 | $ 828 |
| Commercial Real Estate | 3,420 | 3,420 | - | 141 | 3,757 |
| Consumer | 29 | 29 | - | 6 | 55 |
| Residential | 1,546 | 1,546 | - | 70 | 1,942 |
| PPP, net of deferred fees | - | - | - | - | - |
| | $ 5,205 | $ 5,205 | $ - | $ 230 | $ 6,582 |

Impaired loans information
Impaired loans by class with an allowance recorded
As of December 31, 2021
(in thousands)

| | Recorded Investment | Unpaid Principal balance | Related allowance | Interest income recognized | Average Recorded Investment |
|---|---|---|---|---|---|
| Commercial | $ 270 | $ 270 | $ 152 | $ 7 | $ 456 |
| Commercial Real Estate | 1,088 | 1,088 | 58 | 65 | 2,154 |
| Consumer | 42 | 42 | 3 | 4 | 21 |
| Residential | 474 | 474 | 249 | 5 | 334 |
| PPP, net of deferred fees | - | - | - | - | - |
| | $ 1,874 | $ 1,874 | $ 462 | $ 81 | $ 2,965 |

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 | $ 1,000 | $ 1,000 | $ - | $ 56 | $ 1,874 |
| Commercial Real Estate | 4,563 | 4,563 | - | 118 | 6,635 |
| Consumer | 143 | 143 | - | 8 | 72 |
| Residential | 836 | 836 | - | 41 | 2,195 |
| PPP, net of deferred fees | - | - | - | - | - |
| | $ 6,542 | $ 6,542 | $ - | $ 223 | $ 10,776 |

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 | $ 1,318 | $ 1,318 | $ 434 | $ 54 | $ 1,964 |
| Commercial Real Estate | 3,868 | 3,868 | 279 | 100 | 4,141 |
| Consumer | - | - | - | - | 6 |
| Residential | 624 | 624 | 98 | 33 | 1,072 |
| PPP, net of deferred fees | - | - | - | - | - |
| | $ 5,810 | $ 5,810 | $ 811 | $ 187 | $ 7,183 |

5. Bank premises and equipment

Components of Bank premises and equipment included in the consolidated balance sheets at December 31, 2021 and 2020, were as follows:

| | 2021 | 2020 |
|---|---|---|
| Buildings and leasehold improvements | $ 26,367,602 | $ 25,526,207 |
| Equipment | 18,004,200 | 17,410,786 |
| Land | 5,799,557 | 5,553,405 |
| | 50,171,359 | 48,490,398 |
| Less: accumulated depreciation and amortization | (27,010,375) | (25,360,342) |
| | $ 23,160,984 | $ 23,130,056 |

5. Bank premises and equipment (continued)

Depreciation expense amounted to $2,448,614 and $2,406,791 during the years ended December 31, 2021 and 2020, respectively.

6. Time deposits

At December 31, 2021, the scheduled maturities of all outstanding certificates of deposit and IRA's were as follows:

| Year ending December 31st | Amount |
|---|---|
| 2022 | $ 83,300,033 |
| 2023 | 24,436,926 |
| 2024 | 3,313,107 |
| 2025 | 4,359,616 |
| 2026 | 213,921 |
| | $ 115,623,603 |

Included in deposits are $36,506,630 and $46,375,518 of certificates of deposit and IRA accounts greater than or equal to $250,000 at December 31, 2021 and 2020, respectively.

7. Other operating expenses

Other operating expenses for the years ended December 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|---|---|
| Professional fees and expenses | $ 336,884 | $ 478,451 |
| Regulatory assessments | 763,910 | 403,234 |
| Stationary and supplies | 18,680 | 138,067 |
| Other | 5,821,979 | 4,529,024 |
| | $ 6,941,453 | $ 5,548,776 |

8. 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, 2021 and 2020, are as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Amount | | Percent | Amount | | Percent |
| Income before income taxes | $ | 13,145,946 | 100.0% | $ | 8,374,057 | 100.0% |
| U.S. Federal income tax expense | $ | 2,760,649 | 21.0% | $ | 1,758,552 | 21.0% |
| Tax free municipal income | | (620,362) | (4.7) | | (543,150) | (6.5) |
| Other | | (9,309) | (0.1) | | (45,051) | (0.5) |
| Income tax expense | $ | 2,130,978 | 16.2% | $ | 1,170,351 | 14.0% |

The components of income tax expense during the years ended December 31, 2021 and 2020, were as follows:

| | 2021 | 2020 |
|---|---|---|
| Current tax expense | $ 2,237,081 | $ 1,778,630 |
| Deferred tax (benefit) | (106,103) | (608,279) |
| | $ 2,130,978 | $ 1,170,351 |

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, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Depreciation and amortization | $ (635,802) | $ (805,528) |
| Unrealized gains on available-for-sale securities | (338,031) | (1,770,886) |
| Goodwill amortization | (356,169) | (356,169) |
| Purchase accounting-securities | (43) | (272) |
| Other items | (79,729) | (75,911) |
| Gross deferred tax liability | $ (1,409,774) | $ (3,008,766) |
| | | |
| Allowance for loan losses | $ 1,719,847 | $ 1,802,480 |
| Deferred compensation | 164,717 | 161,423 |
| Other | 30,221 | 10,916 |
| Gross deferred tax asset | 1,914,785 | 1,974,819 |
| | | |
| Net deferred tax liability | $ 505,011 | $ (1,033,947) |

9. 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 401(k) 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 $459,213 and $478,575 to the Plan in 2021 and 2020, respectively. At December 31, 2021 and 2020 the Plan held 79,169 and 36,371 shares in common stock of Company, respectively.

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

10. 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.

The United States and world economies continue to suffer adverse effects from the COVID-19 virus pandemic ("COVID-19 pandemic"). The Company has responded throughout the COVID-19 pandemic as guided by government authorities and regulatory agencies with necessary operational and procedural modifications. The Company has not experienced a material adverse impact to the consolidated financial statements. Future potential impacts to the Company may include disruptions or restrictions on employees and contracted agents ability to work, reduced demand for new loans, and increased repurchase risk or loan defaults. The future impact of the COVID-19 pandemic on the Company cannot be estimated at this time.

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.

11. 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

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

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, 2021 and 2020, of the various financial instruments entered into by the Bank:

| | 2021 | 2020 |
|---|---|---|
| Commitments to extend credit | $ 145,839,996 | $ 126,091,560 |
| Standby letters of credit | 1,722,774 | 2,054,443 |

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

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

Standby letters of credit and commercial letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers. The contractual amounts of credit-related financial instruments, such as commitments to extend credit and letters of credit, represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless.

12. Minimum regulatory capital requirements

The Bank is subject to various regulatory capital requirements administered by federal and state 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 financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1, and Total capital to risk-weighted assets and of Tier 1 capital to average assets. It is management's opinion, as of December 31, 2021, that the Bank meets all applicable capital adequacy requirements.

As of December 31, 2021, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events

12. Minimum regulatory capital requirements (continued)

since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2021 and 2020, 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, 2021: | | | | | | |
| **Bank**: | | | | | | |
| Total Regulatory Capital to risk weighted assets | $128,373,000 | 17.17% | $59,822,000 | ≥8.0% | $74,778,000 | ≥10.0% |
| Tier I Capital to risk weighted assets | 120,183,000 | 16.07% | 44,867,000 | ≥6.0% | 59,822,000 | ≥8.0% |
| Tier I Leverage Capital | 120,183,000 | 9.04% | 53,180,000 | ≥4.0% | 66,475,000 | ≥5.0% |
| Common Equity Tier 1 capital (to risk weighted assets): | 120,183,000 | 16.07% | 33,650,000 | ≥4.5% | 48,606,000 | ≥6.50% |

| | 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: | | | | | | |
| **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. 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.

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

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

*Fair Value Hierarchy*

In accordance with this guidance, the Company 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.

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

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

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| December 31, 2021 | | | |
| Treasuries | $ - | $ 73,982,425 | $ - |
| US govt. securities | - | 16,661,807 | $ - |
| Mortgage-backed securities | - | 225,713,337 | $ - |
| State & political subdivisions | - | 142,857,067 | - |
| Corporate bonds | - | 12,636,707 | - |
| Securities available-for-sale | $ - | $ 471,851,343 | $ - |
| | | | |
| 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 | $ - |

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, 2021 or 2020.

There were no transfers between Level 1 or Level 2 during 2021 or 2020.

**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.

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

**Other Real Estate Owned (OREO)**

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 3 classification of the inputs for determining fair value.

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

| | Fair Value Measurements at Reporting Date Using: | | | |
|---|---|---|---|---|
| December 31, 2021 | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Impaired Loans | | | | |
| Commercial | $ 328 | $ - | $ - | $ 328 |
| Commercial Real Estate | 4,450 | - | - | 4,450 |
| Consumer | 68 | - | - | 68 |
| Residential | 1,771 | - | - | 1,771 |
| Other real estate owned | 1,054 | - | - | 1,054 |
| Total | $ 7,671 | $ - | $ - | $ 7,671 |

| | Fair Value Measurements at Reporting Date Using: | | | |
|---|---|---|---|---|
| December 31, 2020 | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Impaired Loans | | | | |
| Commercial | $ 1,884 | $ - | $ - | $ 1,884 |
| Commercial Real Estate | 8,152 | - | - | 8,152 |
| Consumer | 143 | - | - | 143 |
| Residential | 1,362 | - | - | 1,362 |
| Other real estate owned | 291 | - | - | 291 |
| Total | $ 11,832 | $ - | $ - | $ 11,832 |

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 $7,079,000 as of December 31, 2021, with a valuation allowance of $462,000. As of December 31, 2020, impaired loans had a gross carrying amount of approximately $12,352,000 with a valuation allowance of $811,000.

OREO measured at fair value less costs to sell, had a net carrying amount of $1,053,698 and $290,700 as of December 31, 2021 and 2020, respectively. There were no valuation allowances associated with the OREO.

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

**Other Real Estate Owned** (continued)

For Level 3 assets measured at fair value on a non-recurring basis as of December 31, 2021 and 2020, the Company utilized the following valuation techniques and significant unobservable inputs.

**Impaired Loans**

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

**Financial Instruments**

The carrying amounts and estimated fair values of financial instruments at December 31, 2021 are as follows (in thousands):

| | | Fair Value Measurements at December 31, 2021 Using: | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets: | | | | | |
| Cash and due from banks and Interest bearing deposits In other banks | $ 194,210 | $ 194,210 | $ - | $ - | $ 194,210 |
| Securities available-for-sale | 471,851 | - | 471,851 | - | 471,851 |
| Securities held-to-maturity | 13,531 | - | 13,318 | - | 13,318 |
| Loans held for sale | 706 | - | - | 706 | 706 |
| Loans, net of allowance | 614,375 | - | - | 612,810 | 612,810 |
| Other stocks | 7,503 | - | 7,503 | - | 7,503 |
| Accrued interest receivable | 4,492 | - | 2,361 | 2,131 | 4,492 |
| Financial Liabilities: | | | | | |
| Noninterest bearing deposits | $ 419,022 | $ - | $ 419,022 | $ - | $ 419,022 |
| Interest bearing deposits | 782,418 | - | 728,093 | - | 728,093 |
| Securities sold under repurchase agreements | 320 | - | 320 | - | 320 |
| Accrued interest payable | 710 | - | 710 | - | 710 |
| Subordinate debentures | 46,884 | - | 47,214 | - | 47,214 |

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

**Financial Instruments** (continued)

The estimated fair values of the Company's financial instruments at December 31, 2020, were 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 | 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 | - | 17,332 | - | 17,332 |

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 approximate fair value and are classified as Level 1.

13. Disclosures about fair value of 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**

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.

**Other Borrowed Funds**

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.

**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, 2021 and 2020. The contract or notional amounts of the Company’s financial instruments with off-balance sheet risk are disclosed in Note 12.

14. Other borrowed funds and lines of credit

The Company has a $5,000,000 revolving line-of-credit with First National Bankers' Bank (FNBB), and has pledged 768,000 shares of the Bank's common stock as security under the agreement. No amounts were drawn under this agreement as of December 31, 2021 or 2020.

The Bank has also established a federal funds line-of-credit with FNBB to provide additional sources of operating funds. The Bank can borrow up to $35,000,000 at December 31, 2021 and 2020. No amounts were drawn under this agreement at December 31, 2021 or 2020.

The Bank has established a line-of-credit with Federal Home Loan Bank of Dallas (FHLB) and can borrow up to $244,518,538 and $206,383,952 as of December 31, 2021 and 2020, respectively. The Bank made blanket pledges consisting of qualifying mortgage assets totaling $599,444,000 and $625,993,000 as of December 31, 2021 and 2020, respectively, as collateral to secure the FHLB line-of-credit. Under this FHLB agreement, the Bank has Letters of Credit totaling $97,000,000 and 96,500,000 as of December 31, 2021 and 2020, respectively.

As of December 31, 2020, the Bank had a Community Investment Program advance from the FHLB totaling $2,763,431, with a fixed rate of 2.448% and a maturity date of September 3, 2030. The bank repaid the outstanding advance in September 2021 and had no outstanding advances at December 31, 2021.

15. Subordinated Notes

The Company issued $17,500,000 and $30,000,000 in aggregate principal amount of fixed-to-floating subordinated notes during the years ended December 31, 2017 and 2021, respectively. 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 |

| | |
|---|---|
| Issue date | December 15, 2021 |
| Maturity date | December 15, 2031 |
| Interest rate | 3.75% through December 15, 2026, then SOFR plus 264.0 basis points through maturity |

Interest expense as of December 31, 2021 was $1,230,565 and the principal balance owed was $47,500,000. Debt issuance costs amounting to $615,950 as of December 31, 2021 are being amortized over the life of the debt. Amortization expense during the years ended December 31, 2021 and 2020 was $177,975 and $162,200, respectively.

The Company may, at its option, redeem the $17,500,000 beginning with the interest payment date of January 15, 2022 and at its option redeem the $30,000,000 beginning with the interest payment date of December 15, 2027 and on any scheduled interest payment date thereafter, 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. See Note 19. Subsequent Events for discussion of the Company's redemption of subordinated notes in January 2022.

As part of the agreements, 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

15. Subordinated Notes (continued)

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.

The subordinated notes may be included in Tier 1 capital for the Bank (with certain limitations applicable) under current regulatory guidelines and interpretations. During 2017, a portion of the proceeds of the subordinated notes, $14,000,000, was contributed to the Bank as Tier 1 capital. During 2021, an additional $7,000,000 was contributed to the Bank as Tier 1 capital.

16. 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 2021 and 2020 with respect to loans to officers and directors of the Bank is as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance - beginning of year | $ 1,999,931 | $ 2,086,770 |
| New loans | 1,503,975 | 4,692,232 |
| Payments | (1,897,200) | (4,779,071) |
| Balance - end of year | $ 1,606,706 | $ 1,999,931 |

Included in deposits are deposits from directors, officers, their immediate families, and related companies. These accounts totaled $9,814,984 and $3,659,560 at December 31, 2021 and 2020, respectively.

17. Forgivable Loan Agreements

During 2019, the Company executed two agreements with key executives of the Company in order to enable them to purchase shares of the Company'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.
During 2021, the Company executed one agreement with a key executive of the Company in order to enable them to purchase shares of the Company's stock. The loan is secured by the 500 shares of stock purchased with the proceeds of the loan. The initial amount of the loan was $25,955 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 May 31, 2022 and thereafter on each subsequent May 31st until principal is paid in full.

18. Leases

The Bank has two leases under operating leases with one expiring in 2023 and the other expiring in 2026. 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 finance leases as of December 31, 2021 or 2020.

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 $504,486 and $121,775, and a lease liability totaling $508,131 and $122,791 for the years ended December 31, 2021 and 2020, respectively. The Company recognized lease expense of $167,895 and $129,538 during the years ended December 31, 2021 and 2020, respectively.

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

| Year ending December 31st | Amount |
|---|---|
| 2022 | $ 145,290 |
| 2023 | 149,561 |
| 2024 | 106,632 |
| 2025 | 108,720 |
| 2026 | 9,103 |
| Total lease payments | 519,306 |
| Less: Interest | (11,175) |
| Present value of lease liabilities | $ 508,131 |

19. Subsequent Events

Subsequent events have been evaluated through March 30, 2022, which is the date the consolidated financial statements were available to be issued. In January 2022, the Company elected to redeem the subordinated notes issued on January 11, 2017. The Company repaid the principal amount of $17,500,000 and accrued interest of $590,625 through the redemption date using proceeds from the subordinated notes issued on December 15, 2021. On January 31, 2022, the Company announced that its Board of Directors authorized a share repurchase plan under which the Company may repurchase up to $2.5 million of its outstanding shares of common stock through December 31, 2022.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Bank Only Financial Statements

### BALANCE SHEETS
### DECEMBER 31, 2021 AND 2020

### ASSETS

| | 2021 | 2020 |
|---|---|---|
| Cash and due from banks | $ 18,552,783 | $ 23,526,805 |
| Interest bearing deposits in other banks | 152,694,727 | 236,950,890 |
| Cash and cash equivalents | 171,247,510 | 260,477,695 |
| Securities available-for-sale | 471,851,343 | 325,220,332 |
| Securities held-to-maturity | 13,530,692 | 15,262,740 |
| Other stocks | 7,502,719 | 7,602,872 |
| Loans held for sale | 705,950 | 918,649 |
| Loans held for investment, less allowances for loan losses of $8,189,747 and $8,583,239 at December 31, 2021 and 2020, respectively | 614,375,277 | 621,616,199 |
| Accrued interest receivable | 4,492,037 | 4,927,549 |
| Bank premises and equipment, net | 23,160,984 | 23,130,056 |
| Other real estate owned | 1,053,698 | 290,700 |
| Goodwill and other intangibles | 4,179,545 | 4,179,545 |
| Life insurance contracts | 17,059,118 | 17,010,415 |
| Other assets | 4,151,700 | 2,748,195 |
| Total assets | $ 1,333,310,573 | $ 1,283,384,947 |

20. Bank Only Financials Statements (continued)

## LIABILITIES AND STOCKHOLDER'S EQUITY

| | 2021 | 2020 |
|---|---|---|
| Liabilities: | | |
| Deposits | | |
| Demand deposit accounts, non-interest bearing | $ 419,167,474 | $ 448,393,836 |
| Demand deposit accounts, interest bearing | 241,045,730 | 244,337,658 |
| Individual retirement accounts | 13,528,194 | 13,747,317 |
| Savings and money market accounts | 425,749,333 | 345,297,897 |
| Certificates of deposit - $250,000 and over | 33,297,133 | 43,673,861 |
| Other certificates of deposit | 68,798,276 | 68,265,220 |
| | 1,201,586,140 | 1,163,715,789 |
| Securities sold under repurchase agreements | 319,695 | 444,926 |
| Other borrowed funds | - | 2,763,431 |
| Accrued interest payable | 168,190 | 222,230 |
| Accrued expenses and other liabilities | 5,959,304 | 4,794,622 |
| Total liabilities | 1,208,033,329 | 1,171,940,998 |
| Stockholder's equity: | | |
| Common stock; $12.50 par value; 1,536,000 shares authorized; 768,000 shares issued and outstanding at December 31, 2021 and 2020 | 9,600,000 | 9,600,000 |
| Additional paid-in-capital | 47,400,000 | 40,400,000 |
| Retained earnings | 67,005,603 | 54,837,505 |
| Accumulated other comprehensive income | 1,271,641 | 6,606,444 |
| Total stockholder's equity | 125,277,244 | 111,443,949 |
| Total liabilities and stockholder's equity | $ 1,333,310,573 | $ 1,283,384,947 |

20. Bank Only Financial Statements (continued)

## STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| INTEREST AND DIVIDEND INCOME | | |
| Interest and fees on loans | $ 32,784,054 | $ 33,948,735 |
| Investment securities: | | |
| Taxable | 4,089,734 | 1,829,762 |
| Non-taxable | 3,201,034 | 2,863,868 |
| Federal funds sold and interest bearing deposits in other banks | 251,212 | 241,830 |
| Total interest income | 40,326,034 | 38,884,195 |
| INTEREST EXPENSE | | |
| Interest on deposits | 3,037,489 | 3,383,368 |
| Interest on securities sold under repurchase agreements and other borrowing | 85,843 | 157,140 |
| Total interest expense | 3,123,332 | 3,540,508 |
| **NET INTEREST INCOME** | 37,202,702 | 35,343,687 |
| Provision for loan losses | 330,000 | 2,728,000 |
| **NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES** | 36,872,702 | 32,615,687 |
| NONINTEREST INCOME | | |
| Service charges and fees on deposit accounts | 8,723,760 | 6,950,119 |
| Trust department income | 594,272 | 554,855 |
| Fees and commissions from securities brokerage | 752,722 | 442,136 |
| Gain on sale of mortgage loans held for sale | 1,605,749 | 929,815 |
| Realized gains on sale of investments | 6,682 | 251,957 |
| Other income | 1,132,096 | 1,286,564 |
| | 12,815,281 | 10,415,446 |

20. Bank Only Financial Statements (continued)

## STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| NONINTEREST EXPENSES | | |
| Salaries and employee benefits | $ 18,010,588 | $ 18,171,519 |
| Occupancy expenses | 5,187,280 | 5,177,101 |
| Computer and processing expenses | 4,206,408 | 3,684,994 |
| Business promotion and advertising expenses | 889,601 | 886,725 |
| Other operating expenses | 6,807,766 | 5,374,796 |
| | 35,101,643 | 33,295,135 |
| **INCOME BEFORE INCOME TAX EXPENSE** | 14,586,340 | 9,735,998 |
| Income tax expense | 2,418,242 | 1,447,965 |
| **NET INCOME** | 12,168,098 | 8,288,033 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Unrealized gains/losses on securities: | | |
| Unrealized holding gains/losses arising during the period net of taxes of ($1,432,855) and $1,471,564 | 5,329,524 | (5,535,214) |
| Less: reclassification adjustments for gains included in net income, net of taxes of $1,403 and $52,911 | (5,279) | (199,046) |
| Other comprehensive income (loss) | 5,334,803 | (5,336,168) |
| **COMPREHENSIVE INCOME** | $ 17,502,901 | $ 2,951,865 |

21. Parent Only Financial Statements

## BALANCE SHEETS
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

### ASSETS

| | 2021 | 2020 |
|---|---|---|
| Cash in subsidiary bank | $ 31,841 | $ 117,245 |
| Cash in Texas Capital | 22,962,568 | 4,655,916 |
| Cash and cash equivalents | 22,994,409 | 4,773,161 |
| Investment in subsidiary bank | 125,277,244 | 111,443,949 |
| Investment in JD Bank Insurance, LLC | 94,588 | 21,781 |
| Other assets and income taxes receivable | 303,258 | 308,008 |
| Total assets | $ 148,669,499 | $ 116,546,899 |

### LIABILITIES AND STOCKHOLDERS' EQUITY

| | 2021 | 2020 |
|---|---|---|
| Subordinated debentures | $ 46,884,050 | $ 17,323,404 |
| Accrued interest - subordinated debentures | 541,503 | 492,188 |
| Other liabilities | 14,487 | 11,487 |
| Total liabilities | 47,440,040 | 17,827,079 |
| 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; 3,430,060 shares issued and outstanding at December 31, 2021 and 1,558,757 shares issued and outstanding at December 31, 2020 | 21,437,875 | 9,742,231 |
| Additional paid-in capital | 10,548,523 | 3,790,068 |
| Retained earnings | 68,141,922 | 78,783,577 |
| Note Receivable for common stock | (170,502) | (202,500) |
| Accumulated other comprehensive income | 1,271,641 | 6,606,444 |
| Total stockholders' equity | 101,229,459 | 98,719,820 |
| Total liabilities and stockholders' equity | $ 148,669,499 | $ 116,546,899 |

21. Parent Only Financial Statements (continued)

**STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| INCOME | | |
| Dividends from subsidiary bank | $ - | $ 3,556,425 |
| Dividends from subsidiary insurance company | - | 100,000 |
| Interest income | 9,667 | 32,266 |
| | 9,667 | 3,688,691 |
| EXPENSES | | |
| Interest expense | 1,408,540 | 1,343,466 |
| Operating expenses | 133,687 | 172,516 |
| Taxes and other expenses | (306,624) | (303,185) |
| | 1,235,603 | 1,212,797 |
| **INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES** | (1,225,936) | 2,475,894 |
| Equity in undistributed earnings of subsidiaries and excess distribution of earnings | 12,240,904 | 4,727,812 |
| **NET INCOME** | 11,014,968 | 7,203,706 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Unrealized gains/losses on securities: | | |
| Unrealized holding gains/losses arising during the period net of taxes of ($1,432,855) and $1,471,564 | 5,329,524 | (5,535,214) |
| Less: reclassification adjustment for realized gains included in net income, net of taxes of $1,403 and $52,911 | (5,279) | (199,046) |
| Other comprehensive income (loss) | (5,334,803) | 5,336,168 |
| **COMPREHENSIVE INCOME** | $ 5,680,165 | $ 12,539,874 |

**JD BANCSHARES, INC. AND SUBSIDIARIES**
**JENNINGS, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

21. Parent Only Financial Statements (continued)

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 11,014,968 | $ 7,203,706 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Non cash compensation expense | 57,953 | 146,550 |
| Amortization | 177,970 | 162,216 |
| Undistributed earnings of Bank | (12,168,098) | (4,731,607) |
| Undistributed earnings of JD Bank Ins. | (72,806) | - |
| Changes in dividend receivable | - | 2,215,713 |
| Changes in deferred income tax | 28,259 | (13,772) |
| Changes in income tax receivable | (20,509) | (24,522) |
| Changes in accrued interest payable | 49,314 | - |
| Changes in dividend payable | - | (920,400) |
| Net cash provided (used in) operating activities | (932,949) | 4,037,884 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Contribution to the Bank | (7,000,000) | - |
| Net cash provided (used in) investing activities | (7,000,000) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of dividends | (3,172,356) | (2,761,200) |
| Proceeds from issuance of subordinated notes | 30,000,000 | - |
| Subordinated notes issuance costs | (617,329) | |
| Retirement of common stock | - | (67,169) |
| Stock dividend issuance costs | (56,123) | - |
| Distribution from Subsidiary - JD Bank Ins. | - | 3,801 |
| Net cash provided (used in) financing activities | 26,154,192 | (2,824,568) |
| Increase in cash | 18,221,243 | 1,213,316 |
| Cash - beginning of year | 4,773,161 | 3,559,845 |
| Cash - end of year | $ 22,994,404 | $ 4,773,161 |

22. JD Bank Insurance, LLC Financial Statements

## BALANCE SHEETS
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

### ASSETS

| | 2021 | 2020 |
|---|---|---|
| Cash | $ 113,947 | $ 47,716 |
| Total assets | $ 113,947 | $ 47,716 |

### LIABILITIES AND STOCKHOLDER'S EQUITY

| | 2021 | 2020 |
|---|---|---|
| Deferred income taxes payable | $ - | $ 363 |
| Other liabilities | 19,359 | 25,572 |
| Total liabilities | 19,359 | 25,935 |
| Stockholder's equity | 685,000 | 685,000 |
| Retained earnings | (590,412) | (663,219) |
| Total stockholder's equity | 94,588 | 21,781 |
| Total liabilities and stockholder's equity | $ 113,947 | $ 47,716 |

22. JD Bank Insurance, LLC Financial Statements (continued)

**STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| INCOME | | |
| Commissions earned | $ 92,489 | $ 124,789 |
| | 92,489 | 124,789 |
| EXPENSES | | |
| Insurance expenses | - | 87 |
| Other operating expenses | 19,682 | 28,503 |
| | 19,682 | 28,590 |
| **NET INCOME** | $ 72,807 | $ 96,199 |

22. JD Bank Insurance, LLC Financial Statements (continued)

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 72,807 | $ 96,199 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | - | 2,441 |
| Net change in operating assets and liabilities: | | |
| Income taxes payable and other liabilities | (6,576) | 7,433 |
| Net cash provided by operating activities | 66,231 | 106,073 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of dividends | - | (100,000) |
| Net cash used in financing activities | - | (100,000) |
| Change in cash | 66,231 | 6,073 |
| Cash - beginning of year | 47,716 | 41,643 |
| Cash - end of year | $ 113,947 | $ 47,716 |

# 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

**SARA HUVAL**
Executive Vice President and Chief Human Resource Director

**JIMMY LEBLANC**
Executive Vice President and Chief Commercial Banking Officer

**RAMONA SCHEXNIDER**
Executive Vice President and Chief Risk Officer

**MARSHA WILLIAMS**
Executive Vice President and Chief Credit Officer

**ANN BARILLEAUX**
Senior Vice President and Marketing Director

**GEORGE SHAFER**
Senior Vice President and Attorney/Chief Compliance Officer

# 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 – JOHNSTON STREET**
3600 Johnston St., Lafayette, LA 70503

**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 – 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

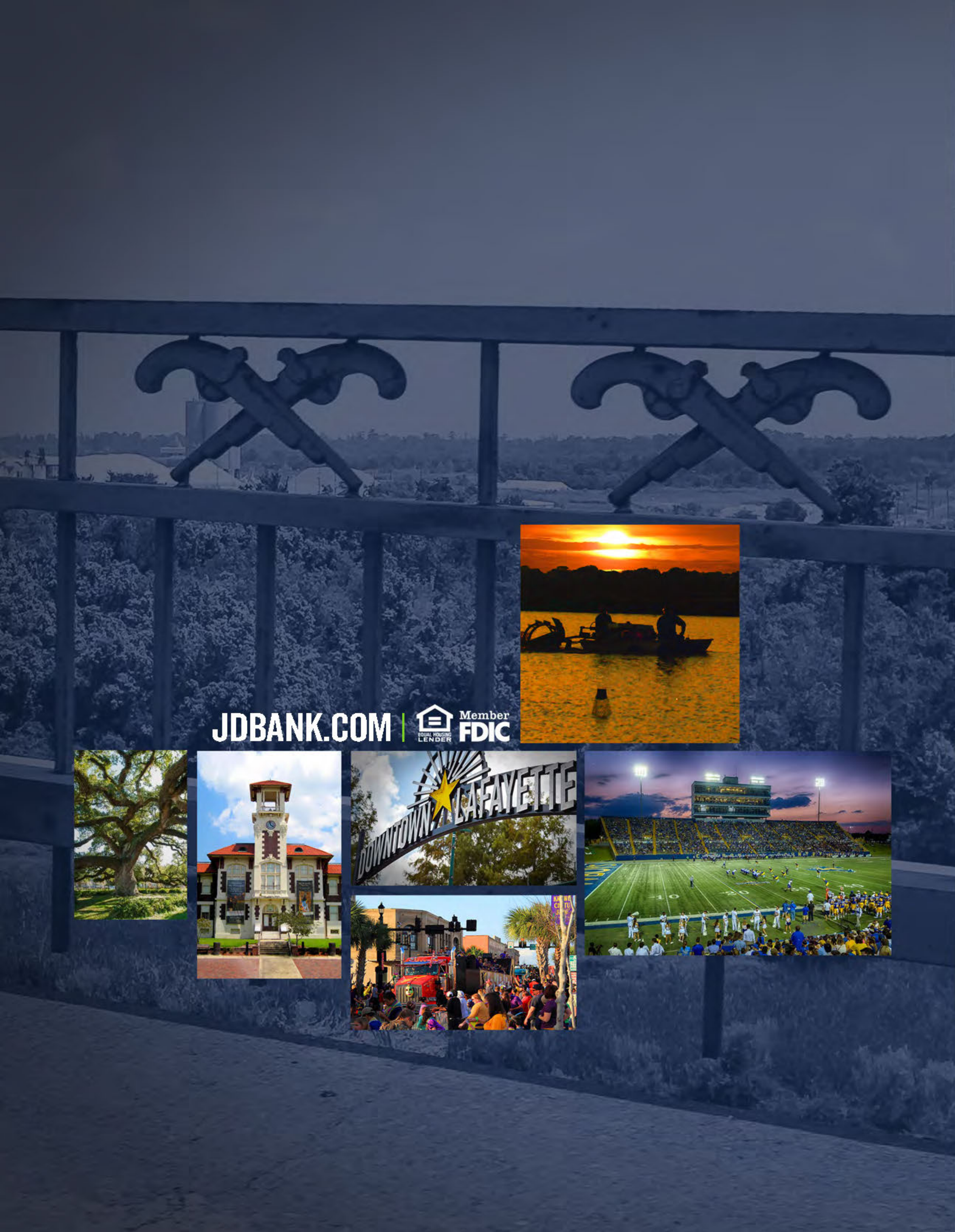
**VILLE PLATTE**
1311 W Lasalle, Ville Platte, LA 70586

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

**WESTLAKE**
1511 Sampson St., Westlake, LA 70669

**LAKE CHARLES – SALE ROAD**
119 W. Sale Rd., Lake Charles, LA 70605
OPENING JULY 2022

*(This page intentionally left blank)*


DOWNTOWN LAFAYETTE