RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Vicksburg, Mississippi

December 31, 2020

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Independent Auditors' Report

To the Board of Directors and Stockholders
RiverHills Capital Corporation and Subsidiary
Vicksburg, Mississippi

We have audited the accompanying consolidated financial statements of RiverHills Capital Corporation (a Mississippi corporation) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Nail McKinney P.A.

Tupelo, Mississippi
February 24, 2021

Consolidated Balance Sheets

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and due from banks:		
Noninterest-bearing	$ 6,900,988	$ 5,763,581
Interest-bearing	10,617,606	16,266,307
Cash and cash equivalents	17,518,594	22,029,888
Interest-bearing time deposits in banks	2,056,000	4,309,570
Securities available for sale	161,800,260	106,288,467
Securities held to maturity	5,213,000	3,000,000
Loans, net of allowance for loan losses	171,507,521	180,208,552
Equity securities at cost	2,362,015	2,333,915
Accrued interest receivable	2,380,514	2,056,858
Premises and equipment, net	6,487,090	6,738,539
Other investments carried at cost	579,647	579,647
Foreclosed assets	276,041	51,461
Cash surrender value of life insurance	1,643,559	1,599,745
Prepaid expenses	29,994	57,680
Other assets	5,000	5,269
Total assets	$ 371,859,235	$ 329,259,591
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Demand	$ 77,333,275	$ 54,402,045
Savings, NOW and money market	130,210,264	110,905,323
Time	99,842,399	101,019,793
Total deposits	307,385,938	266,327,161
Borrowed funds	20,352,218	24,188,626
Deferred compensation	156,866	134,294
Escrow payable	133,197	188,368
Accrued interest payable	151,705	270,003
Other liabilities	1,237,616	642,446
Total liabilities	329,417,540	291,750,898
Stockholders' equity:		
Common stock - $0.25 par value; 500,000 shares authorized; 428,790 and 428,790 shares issued and outstanding at December 31, 2020 and 2019, respectively	106,698	106,698
Additional paid-in capital	5,053,787	5,028,317
Retained earnings	36,447,627	34,649,497
Accumulated other comprehensive income	4,051,818	555,846
Common stock in treasury at cost, 36,934 and 34,434 shares at December 31, 2020 and 2019, respectively	(3,218,235)	(2,831,665)
Total stockholders' equity	42,441,695	37,508,693
Total liabilities and stockholders' equity	$ 371,859,235	$ 329,259,591

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

Consolidated Statements of Income

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2020 and 2019

	2020	2019
Interest and dividend income:		
Loans	$ 10,487,870	$ 10,762,913
Debt securities	2,847,786	2,333,090
Deposits with financial institutions	160,589	518,545
Dividends	63,458	87,516
Total interest and dividend income	13,559,703	13,702,064
Interest expense:		
Deposits	2,046,287	2,529,238
Federal funds purchased	14	225
Federal Home Loan Bank advances	455,748	547,998
Total interest expense	2,502,049	3,077,461
Net interest income	11,057,654	10,624,603
Provision for loan losses	870,000	300,000
Net interest income after provision for loan losses	10,187,654	10,324,603
Noninterest income:		
Service fees	1,257,349	1,487,341
Realized gains on available for sale securities	13,583	-
Unrealized holding losses on equity securities	(140,125)	-
Net gain (loss) on sale of foreclosed real estate	(15,830)	16,770
Net gain (loss) on sale of other foreclosed assets	1,913	(3,013)
Other income	451,621	892,486
Total noninterest income	1,568,511	2,393,584
Noninterest expenses:		
Salaries and employee benefits	4,331,456	4,328,662
Occupancy expense, net of rental income	829,788	880,046
Data processing fees	578,733	608,553
Other general and administrative	1,242,894	1,343,553
Total noninterest expenses	6,982,871	7,160,814
Net income	$ 4,773,294	$ 5,557,373

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

Consolidated Statements of Comprehensive Income

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2020 and 2019

	2020	*2019*
Net income	$ 4,773,294	$ 5,557,373
Other comprehensive income:		
Unrealized holding gains on available for sale debt securities	3,518,045	1,152,493
Reclassification adjustment for net gains realized in net income	(22,073)	-
Other comprehensive income	3,495,972	1,152,493
Comprehensive income	$ 8,269,266	$ 6,709,866

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

Consolidated Statements of Changes in Stockholders' Equity

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2020 and 2019

	Common Stock	*Additional Paid-in Capital*	*Retained Earnings*	*Accumulated Other Comprehensive Income*	*Common Stock in Treasury*	*Total Stockholders' Equity*
Balance, January 1, 2019	$ 106,698	$ 4,999,747	$ 30,932,936	$ 370,937	$ (2,489,420)	$ 33,920,898
Net income	-	-	5,557,373	-	-	5,557,373
Other comprehensive income	-	-	-	1,152,493	-	1,152,493
Compensation expense, long-term incentive plan	-	28,570	-	-	-	28,570
Cumulative effect adjustment for ASU 2016-01			967,584	(967,584)		-
Purchase of treasury stock (2,500 shares at cost)	-	-	-	-	(342,245)	(342,245)
Distributions to shareholders	-	-	(2,808,396)	-	-	(2,808,396)
Balance, December 31, 2019	106,698	5,028,317	34,649,497	555,846	(2,831,665)	37,508,693
Net income	-	-	4,773,294	-	-	4,773,294
Other comprehensive income	-	-	-	3,495,972	-	3,495,972
Compensation expense, long-term incentive plan	-	25,470	-	-	-	25,470
Purchase of treasury stock (2,500 shares at cost)	-	-	-	-	(386,570)	(386,570)
Distributions to shareholders	-	-	(2,975,164)	-	-	(2,975,164)
Balance, December 31, 2020	$ 106,698	$ 5,053,787	$ 36,447,627	$ 4,051,818	$ (3,218,235)	$ 42,441,695

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

Consolidated Statements of Cash Flows

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2020 and 2019

	2020	*2019*
Cash flows from operating activities:		
Net income	$ 4,773,294	$ 5,557,373
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	870,000	300,000
Provision for foreclosed asset losses	25,000	-
Net amortization	996,796	709,684
Depreciation of premises and equipment	445,821	432,057
Realized gains on available-for-sale securities, net	(13,583)	-
Unrealized holding losses on equity securities	140,125	
Realized gain from sales of foreclosed and other assets	(2,982)	(13,757)
Stock dividend received	(28,100)	(55,800)
Net change in:		
Accrued interest receivable	(323,656)	(26,933)
Cash surrender value of life insurance	(43,814)	(44,704)
Other assets	27,955	(54,935)
Accrued interest payable and other liabilities	493,256	884,452
Net cash provided by operating activities	7,360,112	7,687,437
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Sales	1,537,854	542,864
Maturities, prepayments, and calls	39,412,643	54,896,605
Purchases	(94,090,086)	(69,948,912)
Activity in held-to-maturity securities:		
Maturities, prepayments, and calls	176,000	-
Purchases	(2,389,000)	-
Net decrease in loans	7,533,748	5,468,249
Redemption of cost basis investments	-	13,900
Net redemption of interest-bearing time deposits in banks	2,254,000	-
Additions to premises and equipment	(194,372)	(371,367)
Proceeds from sales of foreclosed and other assets	56,873	182,958
Net cash used in investing activities	(45,702,340)	(9,215,703)

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

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2020 and 2019

	2020	*2019*
Cash flows from financing activities:		
Net increase in deposits	$ 41,058,777	$ 13,065,167
Change in escrow liabilities	(55,171)	(69,473)
Principal payments on borrowed funds	(3,836,408)	(5,592,253)
Payments to acquire treasury stock	(386,570)	(342,245)
Distributions to shareholders	(2,975,164)	(2,808,396)
Compensation expense for time-vested stock awards	25,470	28,570
Net cash provided by financing activities	33,830,934	4,281,370
Change in cash and cash equivalents	(4,511,294)	2,753,104
Cash and cash equivalents at beginning of year	22,029,888	19,276,784
Cash and cash equivalents at end of year	$ 17,518,594	$ 22,029,888
Supplementary cash flow information:		
Interest paid on deposits and borrowed funds	$ 2,620,347	$ 2,989,111

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of RiverHills Capital Corporation (the Company), and its wholly owned subsidiary, RiverHills Bank (the Bank). All material intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations
The Company, through its wholly owned subsidiary, RiverHills Bank, provides financial services to individuals and corporate customers through its offices located Madison, Claiborne, and Warren counties in Mississippi. The Company is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Use of Estimates
In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of foreclosed assets, other-than-temporary impairment (OTTI) and fair value of financial instruments.

Significant Group Concentrations of Credit Risk
Most of the Bank’s activities are with customers located in counties in which the Bank’s branches are located and surrounding areas. Note 2 discusses the types of securities that the Bank invests in. Note 4 discusses the types of lending that the Bank engages in. The Bank does not have any significant concentrations to any one customer.

Cash and Cash Equivalents
For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, demand balances due from banks and federal funds sold.

Securities
Debt securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost. Debt securities not classified as held to maturity are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Equity securities with readily determinable fair values are also classified as “available for sale” and recorded at fair value, which changes in fair value recognized in earnings.

Purchase premiums and discounts are recognized in interest income using the interest method, with premiums being amortized to the next call date and discounts accreted to maturity. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans

The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage and real estate secured loans throughout counties in which the Bank's branches are located. The ability of the Bank's debtors 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 generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. 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 established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of 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.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses (continued)

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Pursuant to the regulatory examination process, regulatory authorities can require the Bank to adjust the balance of the allowance for loan losses account to amounts deemed by those authorities to represent an adequate allowance for safety and soundness purposes. Accordingly, the allowance for loan losses represents a material estimate that is susceptible to significant change in the near term.

Off-Balance Sheet Credit Related Financial Instruments

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

First National Bankers Bankshares and Federal Home Loan Bank Stock

First National Bankers Bankshares and Federal Home Loan Bank stock are required investments for institutions that are members of those systems. The required investment in their common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets

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

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, which range from 20 to 40 years for buildings and improvements, and range from 5 to 10 years for equipment.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

Stock-Based Compensation

The Company is accounting for the stock and incentive compensation under the provisions of FASB ASC 718, “Compensation - Stock Compensation”. Under this accounting guidance, fair value is established as the measurement objective in accounting for stock awards and requires the application of fair value based on measurement method accounting for compensation cost, which is recognized over the requisite service period.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year’s presentation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes
The Company and the Bank have elected to be taxed under the provisions of subchapter S of the Internal Revenue Code and related state codes. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the shareholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

On a continuing basis, management analyzes the Company's tax positions, and, when a tax position meets the measurement and recognition principles outlined in FASB ASC 740, the Company accrues a liability for unrecognized tax benefits. Any related interest and penalties associated with unrecognized tax benefits are included as a component of other non-interest expense.

The Company is subject to income tax reporting in the United States and the State of Mississippi. The Company's federal and state income tax returns are subject to examination by the taxing authorities generally for three years after they are filed. Management has evaluated the tax positions taken, and has not identified any positions that are unlikely to be sustained upon examination.

Advertising
The Bank expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were approximately $129,151 and $147,909, respectively.

Evaluation of Subsequent Events
In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

NOTE 2. SECURITIES

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 2020			
	Amortized	***Gross Unrealized***		***Fair***
	Cost	***Gains***	***Losses***	***Value***
Securities Available-for-Sale				
Debt securities:				
U.S. Government and federal agency	$ 3,186,952	$ 40,583	$ (10,556)	$ 3,216,979
State and municipal	135,353,310	3,591,515	(35,479)	138,909,346
Mortgage-backed	18,239,658	472,043	(6,288)	18,705,413
Debt securities available-for-sale	156,779,920	4,104,141	(52,323)	160,831,738
Marketable equity securities	141,064	827,458	-	968,522
Total securities available-for-sale	$ 156,920,984	$ 4,931,599	$ (52,323)	$ 161,800,260
Securities Held-to-Maturity:				
Debt securities:				
State and municipal	$ 5,213,000	$ 38,121	$ (360,990)	$ 4,890,131
Total securities held-to-maturity	$ 5,213,000	$ 38,121	$ (360,990)	$ 4,890,131

NOTE 2. SECURITIES (continued)

	December 31, 2019			
	Amortized	*Gross Unrealized*		*Fair*
	Cost	*Gains*	*Losses*	*Value*
Securities Available-for-Sale				
Debt securities:				
U.S. Government and federal agency	$ 6,275,560	$ 7,176	$ (7,557)	$ 6,275,179
State and municipal	80,108,571	494,169	(101,770)	80,500,970
Corporate debt securities	1,300,631	3,722	-	1,304,353
Mortgage-backed	16,939,212	175,666	(15,560)	17,099,318
Debt securities available-for-sale	104,623,974	680,733	(124,887)	105,179,820
Marketable equity securities	141,064	967,583	-	1,108,647
Total securities available-for-sale	$ 104,765,038	$ 1,648,316	$ (124,887)	$ 106,288,467
Securities Held-to-Maturity:				
Debt securities:				
State and municipal	$ 3,000,000	$ -	$ -	$ 3,000,000
Total securities held-to-maturity	$ 3,000,000	$ -	$ -	$ 3,000,000

At December 31, 2020 and 2019, securities with a carrying value of approximately $51,516,641 and $46,515,772, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2020 follows:

	Available-for-Sale		*Held-to-Maturity*	
	Amortized Cost	*Fair Value*	*Amortized Cost*	*Fair Value*
Within 1 year	$ 14,285,169	$ 14,418,830	$ -	$ -
Over 1 year through 5 years	66,588,544	68,503,997	5,213,000	4,890,131
Over 5 years through 10 years	48,328,411	49,697,726	-	-
Over 10 years	9,338,138	9,505,772	-	-
	138,540,262	142,126,325	5,213,000	4,890,131
Mortgage backed securities	18,239,658	18,705,413	-	-
	$ 156,779,920	$ 160,831,738	$ 5,213,000	$ 4,890,131

	Available-for-Sale	
	Year Ended December 31,	
	2020	*2019*
Proceeds from sale	$ 1,537,854	$ 542,864
Gross gains	$ 15,231	$ -
Gross losses	(1,770)	-
	$ 13,461	$ -

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

NOTE 2. SECURITIES (continued)

	December 31, 2020			
	Less than Twelve Months		*Over Twelve Months*	
	Gross Unrealized Losses	*Fair Value*	*Gross Unrealized Losses*	*Fair Value*
Securities Available-for-Sale				
Debt securities:				
U.S. Government and federal agency	$ (613)	$ 575,680	$ (9,943)	$ 1,710,396
State and municipal	(35,479)	6,345,084	-	-
Mortgage-backed	(3,332)	787,320	(2,956)	101,096
Total securities available-for-sale	$ (39,424)	$ 7,708,084	$ (12,899)	$ 1,811,492
Securities Held-to-Maturity:				
Debt securities:				
State and municipal	$ (360,990)	$ 2,639,010	$ -	$ -
Total securities available-for-sale	$ (360,990)	$ 2,639,010	$ -	$ -

	December 31, 2019			
	Less than Twelve Months		*Over Twelve Months*	
	Gross Unrealized Losses	*Fair Value*	*Gross Unrealized Losses*	*Fair Value*
Securities Available-for-Sale				
Debt securities:				
U.S. Government and federal agency	$ (7,557)	$ 2,784,120	$ -	$ -
State and municipal	(94,075)	16,315,962	(7,695)	1,556,995
Corporate debt securities	-	-	-	-
Mortgage-backed	(12,075)	4,765,299	(3,485)	125,677
Total securities available-for-sale	$ (113,707)	$ 23,865,381	$ (11,180)	$ 1,682,672

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The unrealized losses on the Bank's investments were caused by interest rate fluctuations. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment or, in the case of mortgage-backed securities, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment. Because the declines in market value are attributable to changes in interest rate and not credit quality, and because the Bank has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Bank does not consider those investments to be other-than-temporarily impaired.

NOTE 3. FAIR VALUE

"Fair value" is defined by FASB Accounting Standards Codification ("ASC") 820, as 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. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation tech-

NOTE 3. FAIR VALUE (continued)

niques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of fair value
The Company uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Available-for-sale securities
Available-for-sale securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. The Company's available-for-sale securities that are traded on an active exchange, such as the New York Stock Exchange, are classified as Level 1. Available-for-sale securities valued using matrix pricing are classified as Level 2.

Impaired loans
Loans considered impaired under FASB ASC 310, are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company's impaired loans are classified as Level 3.

Foreclosed assets
Foreclosed assets are carried at the lower of cost or estimated fair value, less estimated selling costs and is subjected to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals, risk-adjusted discounted cash flow analyses, and other relevant factors. All of the Company's foreclosed assets are classified as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of assets measured at fair value on a recurring basis:

NOTE 3. FAIR VALUE (continued)

	December 31, 2020			
	Level 1	*Level 2*	*Level 3*	*Total*
Securities available-for-sale	$ 968,522	$ 160,831,738	$ -	$ 161,800,260

	December 31, 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
Securities available-for-sale	$ 1,108,647	$ 105,179,820	$ -	$ 106,288,467

There were no changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2020.

The Company has no liabilities measured at fair value on a recurring basis.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The following table presents the balances of assets measured at fair value on a nonrecurring basis:

	December 31, 2020				
	Level 1	*Level 2*	*Level 3*	*Total*	*Total Gains (Losses)*
Foreclosed assets	$ -	$ -	$ 276,041	$ 276,041	$ -
Impaired loans	-	-	2,870,790	2,870,790	(5,000)
	$ -	$ -	$ 3,146,831	$ 3,146,831	$ (5,000)

	December 31, 2019				
	Level 1	*Level 2*	*Level 3*	*Total*	*Total Gains (Losses)*
Foreclosed assets	$ -	$ -	$ 51,461	$ 51,461	$ (64,999)
Impaired loans	-	-	4,245,820	4,245,820	(29,100)
	$ -	$ -	$ 4,297,281	$ 4,297,281	$ (94,099)

The Company has no liabilities measured a fair value on a nonrecurring basis.

NOTE 4. LOANS

The Bank's loan and lease portfolio is disaggregated into the following segments: real estate; commercial (including agricultural); and consumer. A summary of gross loans and leases, by segment follows:

	December 31,	
	2020	*2019*
Real estate loans	$ 133,831,396	$ 146,981,580
Commercial loans	37,596,136	32,216,577
Consumer and other	4,966,452	5,398,041
Total loans	176,393,984	184,596,198
Less: Allowance for loan losses	(4,886,463)	(4,387,646)
Loans, net	$ 171,507,521	$ 180,208,552

NOTE 4. LOANS (continued)

The following tables provide details regarding the aging of the Bank's loan and lease portfolio, net of unearned income, by segment:

	December 31, 2020			
	30-89 Days Past Due	90+ Days Past Due Still Accruing	Nonaccrual	Total
Real estate loans	$ 2,005,450	$ 138,581	$ 1,653,539	$ 3,797,570
Commercial loans	720,188	-	21,098	741,286
Consumer and other	77,010	9,133	1,346	87,489
Total	$ 2,802,648	$ 147,714	$ 1,675,983	$ 4,626,345

	December 31, 2019			
	30-89 Days Past Due	90+ Days Past Due Still Accruing	Nonaccrual	Total
Real estate loans	$ 3,359,946	$ 604,073	$ 1,596,605	$ 5,560,624
Commercial loans	224,043	6,531	-	230,574
Consumer and other	394,788	20,387	10,386	425,561
Total	$ 3,978,777	$ 630,991	$ 1,606,991	$ 6,216,759

The Bank utilizes an internal loan classification system to grade loans according to certain quality indicators. Those quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratios. The Bank's internal loan classification system is compatible with classifications used by the Federal Deposit Insurance Corporation as well as other regulatory agencies. Loans may be classified as follows:

Pass: Loans which are performing as agreed with few or no signs of weakness. These loans show sufficient cash flow, capital and collateral to repay the loans as agreed.

Watch: Loans where potential weaknesses have developed which could cause a more serious problem if not corrected.

Substandard: Loans where well-defined weaknesses exist that require corrective action to prevent further deterioration.

Doubtful: Loans having all the characteristics of Substandard and which have deteriorated to a point where collection and liquidation in full is highly questionable.

Loss: Loans that are considered uncollectible or with limited possible recovery.

Impaired: Loans for which it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement and for which a specific impairment reserve has been considered.

NOTE 4. LOANS (continued)

The following tables provide details of the Bank's loan and lease portfolio, net of unearned income, by segment and internally assigned grade:

	December 31, 2020						
	Pass	*Watch*	*Sub-standard*	*Doubtful*	*Loss*	*Impaired*	*Total*
	(in thousands)						
Real estate loans	$129,815	$ 1,200	$ -	$ -	$ -	$ 2,816	$133,831
Commercial loans	37,558	13	-	-	-	25	37,596
Consumer and other	4,923	-	9	-	-	34	4,966
Total	$172,296	$ 1,213	$ 9	$ -	$ -	$ 2,875	$176,393

	December 31, 2019						
	Pass	*Watch*	*Sub-standard*	*Doubtful*	*Loss*	*Impaired*	*Total*
	(in thousands)						
Real estate loans	$142,350	$ 201	$ 171	$ -	$ -	$ 4,260	$146,982
Commercial loans	32,188	28	-	-	-	-	32,216
Consumer and other	5,365	-	18	-	-	15	5,398
Total	$179,903	$ 229	$ 189	$ -	$ -	$ 4,275	$184,596

The Bank evaluates relationships graded internally as substandard, doubtful, and loss for impairment. Generally, impairment is measured as the excess of the Bank's recorded investment in the underlying loans in excess of the loan collateral, less estimated costs to sell. The following tables provide details of the Bank's impaired loans and leases, net of unearned income, by segment:

	December 31, 2020				
	Unpaid Principal Balance	*Recorded Investment*	*Investment with no Allowance*	*Investment with Allowance*	*Related Allowance for Losses*
	(in thousands)				
Real estate loans	$ 2,816	$ 2,816	$ 2,816	$ -	$ -
Commercial loans	25	25	21	4	2
Consumer and other	34	34	11	23	3
Total	$ 2,875	$ 2,875	$ 2,848	$ 27	$ 5

	December 31, 2019				
	Unpaid Principal Balance	*Recorded Investment*	*Investment with no Allowance*	*Investment with Allowance*	*Related Allowance for Losses*
	(in thousands)				
Real estate loans	$ 4,260	$ 4,260	$ 4,234	$ 26	$ 26
Commercial loans	-	-	-	-	-
Consumer and other	15	15	5	10	3
Total	$ 4,275	$ 4,275	$ 4,239	$ 36	$ 29

The Bank's average recorded investment in impaired loans was approximately $3,573,000 during the year ended December 31, 2020 and approximately $4,108,000 during the year ended December 31, 2019. Interest income

NOTE 4. LOANS (continued)

recognized on impaired loans during the years ended December 31, 2020 and 2019 was immaterial. No additional funds are committed to be advanced in connection with impaired loans.

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method:

	December 31, 2020				
	Real Estate Loans	*Commercial Loans*	*Consumer Loans*	*Unallocated*	*Total*
			(in thousands)		
Loans evaluated for impairment:					
Individually	$ 2,816	$ 25	$ 34	$ -	$ 2,875
Collectively	131,015	37,571	4,932	-	173,518
Total	$ 133,831	$ 37,596	$ 4,966	$ -	$ 176,393
Allowance for losses evaluated for impairment:					
Individually	$ -	$ 2	$ 3	$ -	$ 5
Collectively	1,397	507	49	2,928	4,881
	$ 1,397	$ 509	$ 52	$ 2,928	$ 4,886

	December 31, 2019				
	Real Estate Loans	*Commercial Loans*	*Consumer Loans*	*Unallocated*	*Total*
			(in thousands)		
Loans evaluated for impairment:					
Individually	$ 4,260	$ -	$ 15	$ -	$ 4,275
Collectively	142,722	32,216	5,383	-	180,321
Total	$ 146,982	$ 32,216	$ 5,398	$ -	$ 184,596
Allowance for losses evaluated for impairment:					
Individually	$ 26	$ -	$ 3	$ -	$ 29
Collectively	1,565	336	53	2,405	4,359
	$ 1,591	$ 336	$ 56	$ 2,405	$ 4,388

NOTE 4. LOANS (continued)

The following tables summarize the changes in the allowance for credit losses by segment for the periods indicated:

	Year ended December 31, 2020				
	Balance at Beginning of Period	*Charge-Offs*	*Recoveries*	*Provision*	*Balance at End of Period*
			(in thousands)		
Real estate loans	$ 1,591	$ (299)	$ 27	$ 78	$ 1,397
Commercial loans	336	(90)	5	258	509
Consumer loans	56	(20)	5	11	52
Unallocated	2,405	-	-	523	2,928
Total	$ 4,388	$ (409)	$ 37	$ 870	$ 4,886

	Year ended December 31, 2019				
	Balance at Beginning of Period	*Charge-Offs*	*Recoveries*	*Provision*	*Balance at End of Period*
			(in thousands)		
Real estate loans	$ 1,756	$ (123)	$ -	$ (42)	$ 1,591
Commercial loans	326	(48)	167	(109)	336
Consumer and other	64	(67)	36	23	56
Unallocated	1,977	-	-	428	2,405
Total	$ 4,123	$ (238)	$ 203	$ 300	$ 4,388

In the normal course of business, management will sometimes grant concessions, which normally would not otherwise be considered to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as troubled-debt-restructures (TDRs). The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan, the charge-off of a portion of the loan, or a reduction in the rate of interest charged. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection and the borrower's ability to perform under the modified terms in determining the appropriate accrual status at the time of restructure. TDR loans initially placed on nonaccrual status may be returned to accrual status if there has been at least a six-month period of sustained repayment performance by the borrower.

There were no modifications accounted for as TDRs during the year ended December 31, 2020 and 2019.

NOTE 5. EQUITY SECURITIES AT COST

Equity securities maintained at historical cost basis consist of the following:

	December 31,	
	2020	*2019*
Federal Home Loan Bank stock	$ 1,959,300	$ 1,931,200
First National Banker's Bankshares stock	356,800	356,800
First Commercial Bank stock	35,860	35,860
Financial Institution Services Corporation stock	10,055	10,055
	$ 2,362,015	$ 2,333,915

NOTE 6. OTHER INVESTMENTS CARRIED AT COST

The Company maintains an investment in certain rental real estate partnerships maintained at historical cost basis consisting of the following:

	December 31,			
	2020		2019	
	Historical Cost	Ownership Percentage	Historical Cost	Ownership Percentage
Vicksburg Income Properties, LLC	$ 59,026	2.40%	$ 59,026	2.40%
Rockstep Scottsbluff, LLC	142,500	3.33%	142,500	3.33%
Rockstep Starkville, LLC	32,500	3.57%	32,500	3.57%
Rockstep Opelousas, LLC	78,600	3.33%	78,600	3.33%
Rockstep Willmar, LLC	200,000	2.35%	200,000	2.35%
Rockstep Capital Opportunity Fund I	67,021	4.35%	67,021	4.35%
	$ 579,647		$ 579,647	

NOTE 7. BANK PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31,	
	2020	2019
Land	$ 1,780,956	$ 1,780,956
Buildings & improvements	6,199,182	6,199,182
Equipment	3,735,322	3,540,949
	11,715,460	11,521,087
Less: accumulated depreciation and amortization	(5,228,370)	(4,782,548)
	$ 6,487,090	$ 6,738,539

Depreciation expense for the years ended December 31, 2020 and 2019, amounted to $445,821 and $432,057, respectively.

NOTE 8. DEPOSITS

A summary of deposits follows:

	December 31,	
	2020	2019
Demand	$ 77,333,275	$ 55,402,045
Interest-bearing demand	110,035,104	96,728,039
Savings	20,175,160	14,177,284
Certificates of deposit	99,842,399	101,019,793
	$ 307,385,938	$ 267,327,161

The aggregate amount of time deposits in denominations exceeding FDIC insurance limits at December 31, 2020 and 2019 was approximately $18,233,000 and $18,140,000, respectively.

One customer relationship accounted for 15% and 16% of total deposits at December 31, 2020 and 2019, respectively.

NOTE 8. DEPOSITS (continued)

At December 31, 2020, the scheduled maturities of time deposits are as follows:

2021	$ 69,049,071
2022	23,420,726
2023	5,097,836
2024	842,783
2025	1,431,983
	$ 99,842,399

Demand deposit accounts reclassified as loans in the form of overdrafts amounted to approximately $385,933 and $97,556 at December 31, 2020 and 2019, respectively.

NOTE 9. BORROWED FUNDS

The Bank has entered into a blanket floating lien security agreement with the Federal Home Loan Bank (FHLB) of Dallas. Under the terms of this agreement, the Bank is required to maintain sufficient collateral to secure borrowings in an aggregate amount of the lesser of 75% of the book value (unpaid principal balance) of the Bank's one to four family residential first mortgages, small business, and small farm loans or 35% of the Bank's assets.

The Bank also maintained stock in the Federal Home Loan Bank as indicated in Note 5 at December 31, 2020 and 2019, respectively, which is required to be held by the Bank in order to secure future advances. Dividends received by the Bank relating to this stock during 2020 and 2019 were $28,100 and $55,800, respectively.

The Bank's fixed-rate, long-term debt of $20,352,218 and $24,188,626 at December 31, 2020 and 2019, respectively, represented advances under that blanket floating lien security agreement with the Federal Home Loan Bank. There are no conversion or call features or specific restrictive covenants associated with the Federal Home Loan Bank borrowings; however, there are penalties in the event of prepayment.

At December 31, 2020, the interest rates on fixed-rate, long-term debt ranged from 1.332 percent to 4.941 percent. At December 31, 2020, the weighted average interest rate on fixed-rate, long-term debt was 2.01 percent.

The contractual maturities of long-term debt at December 31, 2020, are as follows:

2021	$ 8,040,813
2022	5,300,885
2023	4,825,838
2024	469,700
2025	425,832
Thereafter	1,289,150
	$ 20,352,218

In addition to the aforementioned long-term financing arrangements, at December 31, 2020, the Bank had established informal federal funds borrowings lines of credit aggregating $11,300,000.

The Company also has a line of credit of $2,500,000 with another financial institution that is secured by 5,000 shares of RiverHills Bank stock, bearing interest at a rate equal to New York Prime Rate and maturing in 2022. The Company did not make any draws against this line during 2020 or 2019.

NOTE 10. RETIREMENT PLANS

Employee Stock Ownership plan

The Company has an Employee Stock Ownership Plan (ESOP) covering substantially all employees. Discretionary contributions are determined by the Board of Directors. At December 31, 2020 and 2019, the plan held 9,540 and 7,940 shares of common stock, respectively. For the years ended December 31, 2020 and 2019, expenses attributable to the plan amounted to $69,986 and $74,041, respectively.

NOTE 10. RETIREMENT PLANS (continued)

401(k) Plan

The Company has a defined contribution 401(k) plan covering substantially all employees. Employees may contribute up to 15% of their compensation to this plan. The plan limits the Company matching contribution to the following: 100% of the first 3% of the employee's contribution and 50% of the next 3% of the employee's contribution, subject to 6% limit. For the years ended December 31, 2020 and 2019, employer contributions charged to expense were $126,274 and $123,970, respectively.

NOTE 11. RELATED PARTY TRANSACTIONS

The Bank makes loans to its officers and directors as well as other related parties. Loans to related parties amounted to approximately $1,630,000 and $1,639,000 at December 31, 2020 and 2019, respectively. During 2020, new loans to such related parties amounted to $429,000 and repayments amounted to $438,000.

Deposits from related parties held by the Bank at December 31, 2020 amounted to approximately $2,430,000.

NOTE 12. OFF-BALANCE SHEET ACTIVITIES

Credit-Related Financial Instruments

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial statements include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

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

At December 31, 2020 and 2019, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Years Ended December 31,	
	2020	***2019***
	(in thousands)	
Unfunded commitments under lines of credit	$ 25,289	$ 26,046
Standby letters of credit	$ 791	$ 884

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are collateralized in conformity with bank lending practices, may not contain a specified maturity date and might not be drawn upon to the total extent to which the Bank is committed.

Standby letters-of-credit are conditional lending commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank typically holds collateral supporting those commitments, the value of which is deemed by management to be sufficient to limit the Bank's exposure to credit risk associated with issuing the guaranty. Premiums charged in issuing the guarantees are not material to the financial statements taken as a whole.

NOTE 13. DUE FROM BANKS

The Company had funds on hand and on deposit with other banks at December 31, 2020 in excess of or not subject to FDIC insurance of $3,517,000.

NOTE 14. LEGAL CONTINGENCIES

Various legal claims arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Bank's consolidated financial statements.

NOTE 15. MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The 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 Company to maintain minimum amounts and ratios (risk-based capital ratios). All banking companies are required to have core capital ("Tier 1") of at least 4% of risk-weighted assets, total capital of at least 8% of risk-weighted assets, Common Equity Tier 1 capital of at least 4.5% and a minimum Tier 1 leverage ratio of 4% of adjusted average assets. The regulations also define well capitalized levels of Common Equity Tier 1 capital, Tier 1 capital, total capital and Tier 1 leverage ratio as 6.5%, 8%, 10% and 5%, respectively. Management believes, as of December 31, 2020 and 2019, that the Bank meets all capital adequacy requirements to which it is subject and is not aware of any conditions or events that may have changed the bank's category.

The Company has opted into the community bank leverage ratio (CBLR) framework. The CBLR framework allows qualifying community banking organizations to calculate a leverage ratio to measure capital adequacy. A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. A CBLR bank is deemed to have met the "well capitalized" ratio requirements and be in compliance with the generally applicable capital rule. The Company's actual capital amounts and ratios under the CBLR framework as of December 31, 2020 and 2019 are also presented in the table:

	2020		*2019*	
	Amount	*Ratio*	*Amount*	*Ratio*
	(dollar amounts in thousands)			
Tier 1 leverage capital (to average assets)				
RiverHills Capital Corporation	38,391	10.4%	36,952	11.1%
RiverHills Bank	37,403	10.1%	36,525	11.0%

NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

The components of accumulated other comprehensive income, included in stockholders' equity, are as follows:

	Years Ended December 31,	
	2020	*2019*
Net unrealized gains on debt securities available-for-sale	$ 4,051,818	$ 555,846

NOTE 17. RESTRICTIONS ON DIVIDENDS

Federal and state banking regulations place certain restrictions on dividends paid. The total amount of dividends that may be paid at any date is generally limited to the retained earnings of the Bank. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements and are subject to increasingly stringent limitations with respect to capital distributions and discretionary bonus payments to executive officers as regulatory capital conservation buffers approach zero percent.

NOTE 18. INCENTIVE COMPENSATION PLANS

Time-Vested Awards

The Company's time-vested awards are granted to the certain Bank executives. 2,000 shares have been authorized by the Company to be awarded over a 5 year period and the executives become vested in each award on the fifth anniversary of the grant date of each award. Time-vested awards are valued utilizing the fair value of the Company's stock at the grant date. These awards are recognized on the straight-line method over the requisite service period. Compensation expense for time-vested awards for the years ended December 31, 2020 and 2019, totaled $25,470 and $28,570, respectively.

The following table summarized time-vested awards activities for the years ended December 31:

	2020		***2019***	
	Shares	***Weighted Average Exercise Price***	***Shares***	***Weighted Average Exercise Price***
Non-vested shares, beginning of year	2,000	$ 74.30	1,600	$ 71.31
Granted	-	-	400	86.25
Released from restrictions	(400)	63.75	-	-
Forfeited	-	-	-	-
Non-vested shares, end of year	1,600	$ 76.94	2,000	$ 74.30

NOTE 19. DEFERRED COMPENSATION ARRANGEMENTS

The Bank has entered into defined benefit deferred compensation arrangements in order to provide supplemental benefits for certain executives of the Bank. The defined benefit plans provide a fixed benefit to certain executives. The plans have vesting schedules, and the Bank has purchased life insurance policies on the executives that are designed by the seller to offset the annual expenses associated with the plans. The Bank is the sole owner of all policies.

The liability reserve account related to these deferred compensation agreements is included on the balance sheet and amounted to $156,866 and $134,294 at December 31, 2020 and 2019, respectively.

NOTE 20. REVENUE RECOGNITION

The majority of the Company's revenue streams are governed by other authoritative guidance and, therefore, considered out-of-scope of FASB ASC 606. The Company's revenue streams that are considered in-scope of ASC 606 are discussed below.

ASC 606 requires costs that are incremental to obtaining a contract to be capitalized. ASC 606 has established, and the Company has utilized, a practical expedient allowing costs that, if capitalized, would have an amortization period of one year or less to instead be expensed as incurred.

NOTE 20. REVENUE RECOGNITION (continued)

Service Fees
Service fees include service charges on deposit accounts such as maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. The contracts with deposit account customers are day-to-day contracts and are considered to be terminable at will by either party. Therefore, the fees are all considered to be earned when charged and simultaneously collected.

Service fees also include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions. These fees are earned at a point in time as the services are rendered, and therefore the related revenue is recognized as the Company's performance obligation is satisfied.

Sales of Foreclosed Assets
The Company continually markets the properties included in the foreclosed assets portfolio. The Company will at times, in the ordinary course of business, provide seller-financing on sales of foreclosed assets. In cases where a sale is seller-financed, the Company must ensure the commitment of both parties to perform their respective obligations and the collectability of the transaction price in order to properly recognize the revenue on the sale of foreclosed assets. This is accomplished through the Company's loan underwriting process. In this process the Company considers things such as the buyer's initial equity in the property, the credit quality of the buyer, the financing terms of the loan and the cash flow from the property, if applicable. If it is determined that the contract criteria in ASC 606 have been met, the revenue on the sale of foreclosed assets will be recognized on the closing date of the sale when the Company has transferred title to the buyer and obtained the right to receive payment for the property. In instances where sales are not seller-financed, the Company recognizes revenue on the closing date of the sale when the Company has obtained payment for the property and transferred title to the buyer.

Other Noninterest Income
Other noninterest income primarily consists of grants and Bank Enterprise Awards under the Community Development Financial Institution programs awarded by the Department of the Treasury. The income is recognized when the performance goals associated with such awards are satisfied. In general, Bank Enterprise Awards are recognized when the awards are released by Treasury and appropriated by Congress. Financial Assistance grants awarded to the Company have a contractual term and performance measurement period of three years for each award. The Company monitors performance goals under the contract on a periodic basis and, when the performance goals have been met for a fiscal period, the Company recognizes income on a straight line basis over the contract term and therefore Financial Assistance grants represent revenue recognized over a period of time. Grant awards received and deferred to future periods amounted to $973,667 and $633,333 at December 31, 2020 and 2019, respectively, and is included in other liabilities on the consolidated balance sheet. Financial Assistance grant awards recognized in income during the year ended December 31, 2020 and 2019 amounted to $316,667 and $316,667, respectively.

NOTE 21: UNCERTANITIES

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The Bank is considered to be an "essential businesses" and thus has not been subjected to "stay-at-home" orders and other restrictions issued by state and local governments. Through the date of the independent auditor's report, the Company continues with its normal operations.

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, effectiveness of any vaccine, and the impact on our loan and deposit customers, employees, and vendors all of which are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Supplemental Information

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Independent Auditors' Report On Supplemental Information

To the Board of Directors and Stockholders
RiverHills Capital Corporation and Subsidiary
Vicksburg, Mississippi

We have audited the consolidated financial statements of RiverHills Capital Corporation and Subsidiary as of and for the year ended December 31, 2020 and our report thereon dated February 24, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on Page 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules 1 and 2 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Nail McKinney P.A.

Tupelo, Mississippi
February 24, 2021

Schedule 1

Consolidating Balance Sheets

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

December 31, 2020

	RiverHills Capital Corporation	*RiverHills Bank*	*Eliminations*	*Consolidated*
Assets				
Cash and due from banks:				
Noninterest-bearing	$ 371,268	$ 6,877,867	$ (348,147)	$ 6,900,988
Interest-bearing	-	10,617,606	-	10,617,606
Cash and cash equivalents	371,268	17,495,473	(348,147)	17,518,594
Interest-bearing time deposits in banks	-	2,056,000	-	2,056,000
Securities available for sale	968,522	160,831,738	-	161,800,260
Securities held to maturity	-	5,213,000	-	5,213,000
Investment in subsidiary	41,454,761	-	(41,454,761)	-
Loans, net of allowance for loan losses	-	171,507,521	-	171,507,521
Equity securities at cost	35,860	2,326,155	-	2,362,015
Accrued interest receivable	-	2,380,514	-	2,380,514
Premises and equipment, net	-	6,487,090	-	6,487,090
Other investments carried at cost	579,647	-	-	579,647
Foreclosed assets	-	276,041	-	276,041
Cash surrender value of life insurance	-	1,643,559	-	1,643,559
Prepaid expenses	-	29,994	-	29,994
Other assets	5,000	-	-	5,000
Total assets	$ 43,415,058	$ 370,247,085	$ (41,802,908)	$ 371,859,235
Liabilities and Stockholders' Equity				
Liabilities:				
Deposits				
Demand	$ -	$ 77,681,422	$ (348,147)	$ 77,333,275
Savings, NOW and money market	-	130,210,264	-	130,210,264
Time	-	99,842,399	-	99,842,399
Total deposits	-	307,734,085	(348,147)	307,385,938
Long term debt	-	20,352,218	-	20,352,218
Deferred compensation	-	156,866	-	156,866
Escrow payable	-	133,197	-	133,197
Accrued interest payable	(35)	151,740	-	151,705
Other liabilities	973,398	264,217	1	1,237,616
Total liabilities	973,363	328,792,323	(348,146)	329,417,540
Stockholders' equity:				
Common stock	106,698	500,000	(500,000)	106,698
Additional paid-in capital	5,053,787	-	-	5,053,787
Retained earnings	36,447,627	36,902,944	(36,902,944)	36,447,627
Accumulated other comprehensive income	4,051,818	4,051,818	(4,051,818)	4,051,818
Common stock in treasury, at cost	(3,218,235)	-	-	(3,218,235)
Total stockholders' equity	42,441,695	41,454,762	(41,454,762)	42,441,695
Total liabilities and stockholders' equity	$ 43,415,058	$ 370,247,085	$ (41,802,908)	$ 371,859,235

Schedule 2

Consolidating Statements of Income

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Year ended December 31, 2020

	RiverHills Capital Corporation	*RiverHills Bank*	*Eliminations*	*Consolidated*
Interest and dividend income:				
Loans	$ -	$ 10,488,705	$ (835)	$ 10,487,870
Debt securities	-	2,847,786	-	2,847,786
Deposits with financial institutions	-	160,589	-	160,589
Dividends	29,913	33,545	-	63,458
Total interest and dividend income	29,913	13,530,625	(835)	13,559,703
Interest expense:				
Deposits	-	2,046,287	-	2,046,287
Federal funds purchased	-	14	-	14
Borrowed funds	835	455,748	(835)	455,748
Total interest expense	835	2,502,049	(835)	2,502,049
Net interest income	29,078	11,028,576	-	11,057,654
Provision for loan losses	-	870,000	-	870,000
Net interest income after provision for loan losses	29,078	10,158,576	-	10,187,654
Noninterest income (losses):				
Service fees	-	1,257,349	-	1,257,349
Realized gain on available for sale securities	-	13,583	-	13,583
Unrealized holding losses on equity securities	(140,125)	-	-	(140,125)
Net loss on sale of foreclosed assets	-	(15,830)	-	(15,830)
Net gain on sale of other assets	-	1,913	-	1,913
Subsidiary income	4,607,929	-	(4,607,929)	-
Other income	346,119	105,502	-	451,621
Total noninterest income	4,813,923	1,362,517	(4,607,929)	1,568,511
Noninterest expenses:				
Salaries and employee benefits	25,470	4,305,986	-	4,331,456
Occupancy expense, net of rental income	-	829,788	-	829,788
Data processing fees	-	578,733	-	578,733
Other general and administrative	44,237	1,198,657	-	1,242,894
Total noninterest expenses	69,707	6,913,164	-	6,982,871
Net income	$ 4,773,294	$ 4,607,929	$ (4,607,929)	$ 4,773,294