

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-205986

RIVER FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

ALABAMA

(State or other jurisdiction of
incorporation or organization)

46-1422125

(I.R.S. Employer
Identification No.)

2611 Legends Drive

Prattville, Alabama

(Address of principal executive offices)

36066

(Zip Code)

Registrant's telephone number, including area code: (334) 290-1012

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 4, 2020, the registrant had 6,496,666 shares of common stock, \$1.00 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of River Financial Corporation (“we”, “our” or “us” on a consolidated basis) contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Such statements include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. This may be especially true given the current environment of the COVID-19 pandemic. The forward-looking statements contained in this report are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by words like “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “intend”, “believe”, “estimate”, “predict”, “potential”, or “continue” or the negative of those words and other comparable words. You should be aware that those statements reflect only our predictions. If known or unknown risks or uncertainties should materialize, or if any one or more of our material underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind when reading this report and not place undue reliance on these forward-looking statements. Factors that might cause such differences include, but are not limited to:

As set forth elsewhere in the risk factors discussed at Item 1A of Part II of this Form 10-Q, the COVID-19 pandemic could have adverse results on our financial condition and results of operations and other areas set forth in such risk factors.

The COVID-19 pandemic could exaggerate the negative consequences set forth in the following forward-looking statements and we have attempted to outline in the risk factor section of this Form 10-Q our best assessment of how such negative consequences may arise.

Acquisition related factors:

- The businesses of any bank acquired by us may not be integrated successfully or the integration may be more difficult, time-consuming or costly than expected;
- The expected growth opportunities or costs savings from such transactions may not be fully realized or may take longer to realize than expected;
- Revenues following such transactions may be lower than expected as a result of losses of customers or other reasons;
- Deposit attrition, operating costs, customer loss and business disruption following such transactions, including difficulties in maintaining relationships with employees, may be greater than expected;
- Governmental approvals of such transactions may not be obtained on the proposed terms or expected timeframe;
- Reputational risks and the reaction of the companies’ customers to such transactions;
- Diversion of management time on merger related issues.

Factors affecting our Bank generally:

- Changes in asset quality and credit risk of our bank;
- Inflation;
- Customer acceptance of our products and services;
- Customer borrowing, repayment, investment and deposit practices;
- The negative impact on profitability imposed on us by a compressed net interest margin on loans and other extensions of credit that affects our ability to lend profitably and to price loans effectively in the face of competitive pressures;
- Our liquidity requirements could be adversely affected by changes in our assets and liabilities;
- Our ability to attract, develop and retain qualified banking professionals;
- Failure to attract or retain stable deposits at reasonable cost that is competitive with the larger international, national, and regional financial service providers with which we compete;
- Significant reliance on loans secured by real estate and the associated vulnerability to downturns in the local real estate market, natural disasters and other variables impacting the value of real estate;
- The introduction, withdrawal, success and timing of business initiatives;

- The impact, extent, and timing of technological changes;
- A weakening of the economies in which we conduct operations may adversely affect our operating results;
- The U.S. legal and regulatory framework, or changes in such framework, could adversely affect our operating results;
- The interest rate environment may compress margins and adversely affect net interest income; and
- Competition from other financial services companies in our markets could adversely affect operations.
- Interruption in our business and the businesses of our customers caused by a downturn in the economy, possible weather-related conditions such as tornadoes or hurricanes, and the COVID-19 pandemic.

You should also consider carefully the risk factors discussed in Item 1A of Part II of this Form 10-Q, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. The risks discussed in this report are factors that, individually or in the aggregate, management believes could cause our actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties. Factors not here or there listed may develop or, if currently extant, we may not have yet recognized them.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

RIVER FINANCIAL CORPORATION
Consolidated Statements of Financial Condition
(in thousands except share data)

	March 31, 2020 Unaudited	December 31, 2019 Audited
<u>Assets</u>		
Cash and due from banks	\$ 23,134	\$ 27,786
Interest-bearing deposits in banks	18,693	17,669
Cash and cash equivalents	41,827	45,455
Certificates of deposit in banks	4,347	4,836
Securities available-for-sale, at fair value	326,503	303,303
Loans held for sale	9,826	6,285
Loans, net of unearned income and discounts	939,477	905,784
Less allowance for loan losses	(9,933)	(8,679)
Net loans	929,544	897,105
Premises and equipment, net	31,580	31,554
Accrued interest receivable	4,038	3,841
Bank owned life insurance	28,418	28,219
Foreclosed assets	565	1,404
Deferred income taxes, net	-	777
Core deposit intangible	4,981	5,316
Goodwill	27,817	27,817
Other assets	7,975	8,024
Total assets	<u>\$ 1,417,421</u>	<u>\$ 1,363,936</u>
<u>Liabilities and Shareholders' Equity</u>		
Noninterest-bearing deposits	\$ 320,795	\$ 321,458
Interest-bearing deposits	903,295	852,841
Total deposits	1,224,090	1,174,299
Securities sold under agreements to repurchase	7,483	8,707
Note payable	22,949	23,773
Accrued interest payable and other liabilities	10,446	10,128
Total liabilities	1,264,968	1,216,907
Common stock related to 401(k) Employee Stock Ownership Plan	1,837	1,837
<u>Stockholders' Equity</u>		
Common stock (\$1 par value; 10,000,000 shares authorized; 6,515,264 and 6,492,812 shares issued; 6,501,666 and 6,489,505 shares outstanding, respectively)	6,515	6,493
Additional paid-in capital	100,350	100,174
Retained earnings	40,006	38,644
Accumulated other comprehensive gain	5,971	1,811
Treasury stock at cost (13,598 and 3,307 shares, respectively)	(389)	(93)
Common stock related to 401(k) Employee Stock Ownership Plan	(1,837)	(1,837)
Total stockholders' equity	150,616	145,192
Total equity	152,453	147,029
Total liabilities and stockholders' equity	<u>\$ 1,417,421</u>	<u>\$ 1,363,936</u>

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Income
(in thousands except per share data)

	For the Three Months Ended:	
	March 31,	
	2020	2019
Interest income:		
Loans, including fees	\$ 12,724	\$ 9,751
Taxable securities	1,431	1,097
Nontaxable securities	436	345
Federal funds sold	-	10
Other interest income	130	151
Total interest income	<u>14,721</u>	<u>11,354</u>
Interest expense:		
Deposits	2,066	1,483
Short-term borrowings	7	13
Federal Home Loan Bank advances	-	29
Note payable	355	399
Total interest expense	<u>2,428</u>	<u>1,924</u>
Net interest income	<u>12,293</u>	<u>9,430</u>
Provision for loan losses	<u>1,316</u>	<u>540</u>
Net interest income after provision for loan losses	<u>10,977</u>	<u>8,890</u>
Noninterest income:		
Service charges and fees	1,302	1,084
Investment brokerage revenue	35	17
Mortgage operations	734	423
Bank owned life insurance income	199	139
Net loss on sale of investment securities	(46)	-
Other noninterest income	137	135
Total noninterest income	<u>2,361</u>	<u>1,798</u>
Noninterest expense:		
Salaries and employee benefits	5,079	4,020
Occupancy expenses	581	479
Equipment rentals, depreciation, and maintenance	298	276
Telephone and communications	117	78
Advertising and business development	143	208
Data processing	740	687
Foreclosed assets, net	87	66
Federal deposit insurance and other regulatory assessments	126	98
Legal and other professional services	189	177
Other operating expenses	1,346	1,226
Total noninterest expense	<u>8,706</u>	<u>7,315</u>
Income before income taxes	<u>4,632</u>	<u>3,373</u>
Provision for income taxes	<u>927</u>	<u>719</u>
Net income	<u>\$ 3,705</u>	<u>\$ 2,654</u>
Basic net earnings per common share	\$ 0.57	\$ 0.47
Diluted net earnings per common share	\$ 0.56	\$ 0.46
Dividends per common share	\$ 0.36	\$ 0.33

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Comprehensive Income
(in thousands)

	For the Three Months Ended	
	March 31,	
	2020	2019
Net income	\$ 3,705	\$ 2,654
Other comprehensive income (loss), net of tax:		
Investment securities available-for-sale:		
Net unrealized gains	5,509	2,805
Income tax effect	(1,383)	(704)
Reclassification adjustments for net losses realized in net income	46	-
Income tax effect	(12)	-
Other comprehensive income, net of tax	4,160	2,101
Comprehensive income	<u>\$ 7,865</u>	<u>\$ 4,755</u>

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Changes in Stockholders' Equity
(in thousands except share and per share data)

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Gain	Treasury Stock	Common Stock Related to KSOP	Total Stockholders' Equity
Balance at December 31, 2019	\$ 6,493	\$ 100,174	\$ 38,644	\$ 1,811	\$ (93)	\$ (1,837)	\$ 145,192
Net income	-	-	3,705	-	-	-	3,705
Other comprehensive income, net of tax	-	-	-	4,160	-	-	4,160
Exercise of stock options and warrants (22,452 shares)	22	119	-	-	-	-	141
Purchase of treasury stock (17,262 shares)	-	-	-	-	(492)	-	(492)
Sale of treasury shares (6,971 shares)	-	2	-	-	196	-	198
Dividends declared (\$0.36 per share)	-	-	(2,343)	-	-	-	(2,343)
Stock-based compensation expense	-	55	-	-	-	-	55
Balance at March 31, 2020	<u>\$ 6,515</u>	<u>\$ 100,350</u>	<u>\$ 40,006</u>	<u>\$ 5,971</u>	<u>\$ (389)</u>	<u>\$ (1,837)</u>	<u>\$ 150,616</u>

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

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	For the Three Months Ended March 31,	
	2020	2019
Cash Flows From (Used For) Operating Activities:		
Net Income	\$ 3,705	\$ 2,654
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	1,316	540
Provision for losses on foreclosed assets	30	44
Amortization of securities available-for-sale	554	361
Accretion of securities available-for-sale	(64)	(138)
Realized net loss on securities available-for-sale	46	-
Accretion of discount on acquired loans	(96)	(370)
Accretion of deferred loan fees / costs	(605)	(354)
Amortization of core deposit intangible asset	335	330
Stock-based compensation expense	55	44
Bank owned life insurance income	(199)	(139)
Depreciation and amortization of premises and equipment	354	341
Loss on sale of foreclosed assets	3	15
Deferred income tax benefit	(156)	(277)
(Increase) decrease in operating assets and (decrease) increase in operating liabilities:		
Loans held-for-sale	(3,541)	(1,429)
Accrued interest receivable	(197)	(106)
Other assets	176	(2,997)
Accrued interest payable and other liabilities	(144)	2,097
Net cash from operating activities	<u>1,572</u>	<u>616</u>
Cash Flows From (Used For) Investing Activities:		
Maturity of certificate of deposit	490	-
Sales of securities available-for-sale	5,275	-
Maturities, payments, calls of securities available-for-sale	16,829	9,096
Purchases of securities available-for-sale	(40,286)	(3,385)
Loan principal originations, net	(33,116)	(19,612)
Proceeds from sale of foreclosed assets	868	102
Purchases of premises and equipment	(380)	(2,658)
Sale (purchase) of restricted equity securities, net	(127)	628
Net cash used for investing activities	<u>(50,447)</u>	<u>(15,829)</u>
Cash Flows From (Used For) Financing Activities:		
Net increase in deposits	49,791	33,383
Net increase (decrease) in securities sold under agreements to repurchase	(1,224)	2,190
Repayment of Federal Home Loan Bank advances	-	(20,000)
Repayment of note payable	(824)	(779)
Proceeds from exercise of common stock options and warrants	141	142
Purchase of treasury stock	(492)	-
Sale of treasury stock	198	-
Cash dividends	(2,343)	(1,882)
Net cash from financing activities	<u>45,247</u>	<u>13,054</u>
Net Change In Cash And Cash Equivalents	<u>(3,628)</u>	<u>(2,159)</u>
Cash and Cash Equivalents At Beginning Of Period	<u>45,455</u>	<u>47,507</u>
Cash and Cash Equivalents At End Of Period	<u>\$ 41,827</u>	<u>\$ 45,348</u>
Supplemental Disclosures Of Cash Flows Information:		
Cash Payments For:		
Interest paid to depositors	\$ 2,056	\$ 1,444
Interest paid on borrowings	\$ 375	\$ 466
Non-cash investing and financing activities:		
Transfer of loans to foreclosed assets	\$ 62	\$ -
Initial recognition of operating lease right-of-use assets	\$ -	\$ 2,172
Initial recognition of operating lease liabilities	\$ -	\$ 2,237

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

River Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(amounts in thousands, except share and per share data)

Note 1 – Basis of Presentation

General

The unaudited consolidated financial statements include the accounts of River Financial Corporation (“River” or the “Company”) and its wholly owned subsidiary, River Bank & Trust (Bank). The Bank provides a full range of commercial and consumer banking services primarily in the Montgomery, Alabama metropolitan area, Autauga, Baldwin, Chilton, Coffee, Elmore, Etowah, Houston, Lee and Tallapoosa counties and surrounding counties in Alabama. We also operate a loan production office in Mobile, Alabama. The Bank is primarily regulated by the Federal Deposit Insurance Corporation (FDIC) and undergoes periodic examinations by this regulatory agency and the Alabama Banking Department. The Company is regulated by the Federal Reserve Bank (FRB) and is also subject to periodic examinations.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly River Financial Corporation’s consolidated statements of financial condition, statements of income, statements of comprehensive income, statements of changes in stockholders’ equity and statements of cash flows for the periods presented, and all such adjustments are of a normal recurring nature. All material intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire year.

These interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and note disclosures normally presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted or abbreviated. These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes as of December 31, 2019, which are contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, the allowance for loan losses, foreclosed asset valuations, useful lives for depreciation and amortization, fair value of financial instruments, deferred taxes, and contingencies. Estimates that are particularly susceptible to significant change for the Company include the determination of the allowance for loan losses, investment securities impairment, and assessment of deferred tax assets and liabilities, and therefore are critical accounting policies. Management does not anticipate any material changes to estimates in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: external market factors such as market interest rates and employment rates, changes to operating policies and procedures, economic conditions in our markets, and changes in applicable banking regulations. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual reporting period presented.

Note 2 – Earnings Per Share

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share are computed by dividing net income by the effect of the issuance of potential common shares that are dilutive and by the sum of the weighted-average number of shares of common stock outstanding. All shares owned by the Company's 401(k) Employee Stock Ownership Plan (KSOP) are included in the earnings per share calculations.

The reconciliation of the components of the basic and diluted earnings per share is as follows (amounts in thousands):

	For the Three Months Ended March 31,	
	2020	2019
Net earnings available to common shareholders	\$ 3,705	\$ 2,654
Weighted average common shares outstanding	6,500,387	5,698,634
Dilutive effect of stock options	79,670	93,775
Diluted common shares	6,580,057	5,792,409
Basic earnings per common share	\$ 0.57	\$ 0.47
Diluted earnings per common share	\$ 0.56	\$ 0.46

Note 3 – Investment Securities

Securities available-for-sale at March 31, 2020 and December 31, 2019 are as follows (amounts in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2020:				
Securities available-for-sale:				
Residential mortgage-backed	\$ 200,197	\$ 4,296	\$ (14)	\$ 204,479
U.S. govt. sponsored enterprises	37,751	1,290	(109)	38,932
State, county, and municipal	77,904	2,760	(98)	80,566
Corporate debt obligations	2,656	6	(136)	2,526
Totals	<u>\$ 318,508</u>	<u>\$ 8,352</u>	<u>\$ (357)</u>	<u>\$ 326,503</u>
December 31, 2019:				
Securities available-for-sale:				
Residential mortgage-backed	\$ 188,944	\$ 718	\$ (851)	\$ 188,811
U.S. govt. sponsored enterprises	39,355	812	(106)	40,061
State, county, and municipal	69,908	1,986	(143)	71,751
Corporate debt obligations	2,654	26	-	2,680
Totals	<u>\$ 300,861</u>	<u>\$ 3,542</u>	<u>\$ (1,100)</u>	<u>\$ 303,303</u>

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

Details concerning investment securities with unrealized losses as of March 31, 2020 and December 31, 2019 are as follows (amounts in thousands):

	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2020:						
Securities available-for-sale:						
Residential mortgage-backed	\$ 6,776	\$ 12	\$ 1,724	\$ 2	\$ 8,500	\$ 14
U.S. govt. sponsored enterprises	4,932	106	860	3	5,792	109
State, county & municipal	6,418	98	-	-	6,418	98
Corporate debt obligations	1,270	136	-	-	1,270	136
Totals	<u>\$ 19,396</u>	<u>\$ 352</u>	<u>\$ 2,584</u>	<u>\$ 5</u>	<u>\$ 21,980</u>	<u>\$ 357</u>
December 31, 2019:						
Securities available-for-sale:						
Residential mortgage-backed	\$ 83,964	\$ 321	\$ 39,881	\$ 530	\$ 123,845	\$ 851
U.S. govt. sponsored enterprises	7,423	53	2,748	53	10,171	106
State, county & municipal	14,866	143	200	-	15,066	143
Corporate debt obligations	-	-	-	-	-	-
Totals	<u>\$ 106,253</u>	<u>\$ 517</u>	<u>\$ 42,829</u>	<u>\$ 583</u>	<u>\$ 149,082</u>	<u>\$ 1,100</u>

As of March 31, 2020, management does not consider securities with unrealized losses to be other-than-temporarily impaired. The unrealized losses in each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. The Company has the ability and intent to hold its securities for a period of time sufficient to allow for a recovery in fair value. There were no other-than-temporary impairments charged to earnings during the three months ended March 31, 2020 or 2019. The Company owned a total of 22 securities with unrealized losses of \$357 thousand at March 31, 2020. As of March 31, 2020 and December 31, 2019, securities with a carrying value of approximately \$90.5 million and \$71.8 million, respectively, were pledged to secure public deposits as required by law. At March 31, 2020 and December 31, 2019, the carrying value of securities pledged to secure repurchase agreements was approximately \$14.0 million and \$14.5 million, respectively.

During the three months ended March 31, 2020, the Company sold investment securities for proceeds of \$5.3 million and realized losses of \$46 thousand. During the three months ended March 31, 2019, the Company did not sell any investment securities.

The amortized cost and estimated fair value of securities available-for-sale at March 31, 2020 and December 31, 2019, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities for residential mortgage backed securities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. These securities are therefore not presented by maturity classification.

	March 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Securities available-for-sale				
Less than 1 year	\$ 6,809	\$ 6,867	\$ 8,420	\$ 8,458
1 to 5 years	34,299	35,517	37,820	38,799
5 to 10 years	23,102	23,448	19,739	20,117
After 10 years	54,101	56,192	45,938	47,118
	118,311	122,024	111,917	114,492
Residential mortgage-backed securities	200,197	204,479	188,944	188,811
Totals	<u>\$ 318,508</u>	<u>\$ 326,503</u>	<u>\$ 300,861</u>	<u>\$ 303,303</u>

Note 4 – Loans, Allowance for Loan Losses and Credit Quality

Major classifications of loans at March 31, 2020 and December 31, 2019 are summarized as follows (amounts in thousands):

	March 31, 2020		December 31, 2019	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	\$ 217,490	23.4%	\$ 211,440	23.6%
Closed-end 1-4 family - junior lien	8,865	1.0%	7,653	0.9%
Multi-family	15,666	1.7%	18,125	2.0%
Total residential real estate	242,021	26.1%	237,218	26.5%
Commercial real estate:				
Nonfarm nonresidential	290,444	31.2%	288,930	32.2%
Farmland	23,455	2.5%	21,089	2.4%
Total commercial real estate	313,899	33.7%	310,019	34.6%
Construction and land development:				
Residential	64,983	7.0%	53,386	6.0%
Other	59,318	6.4%	60,140	6.7%
Total construction and land development	124,301	13.4%	113,526	12.7%
Home equity lines of credit	46,507	5.0%	47,410	5.3%
Commercial loans:				
Other commercial loans	145,456	15.6%	136,301	15.2%
Agricultural	8,106	0.9%	2,826	0.3%
State, county, and municipal loans	22,942	2.5%	22,159	2.4%
Total commercial loans	176,504	19.0%	161,286	17.9%
Consumer loans				
Total gross loans	943,037	101.5%	909,856	101.5%
Allowance for loan losses	(9,933)	-1.1%	(8,679)	-1.0%
Net discounts	(2,067)	-0.2%	(2,647)	-0.3%
Net deferred loan fees and discounts	(1,493)	-0.2%	(1,425)	-0.2%
Net loans	<u>\$ 929,544</u>	<u>100.0%</u>	<u>\$ 897,105</u>	<u>100.0%</u>

The Bank grants loans and extensions of credit to individuals and a variety of businesses and corporations located in its general trade area. Although the Bank has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to-income, collateral type and loan-to-value ratios for consumer loans.

For purposes of the disclosures required pursuant to ASC 310, the loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for loan losses. There are three primary loan portfolio segments that include real estate, commercial, and consumer. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and the Company's method for monitoring and assessing credit risk. Classes within the real estate portfolio segment include residential real estate, commercial real estate, construction and land development and home equity lines of credit. The portfolio segments of non-real estate commercial loans and consumer loans have not been further segregated by class.

The following describe risk characteristics relevant to each of the portfolio segments:

Real estate - As discussed below, the Company offers various types of real estate loan products. All loans within this portfolio segment are particularly sensitive to the valuation of real estate:

Residential real estate and home equity lines of credit are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.

Commercial real estate loans include both owner-occupied commercial real estate loans and other commercial real estate loans secured by income producing properties. Owner-occupied commercial real estate loans to operating businesses are long-term financing of land and buildings. These loans are repaid by cash flow generated from the business operation. Real estate loans for income-producing properties such as office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties. Loans secured by farmland are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.

Construction and land development loans are repaid through cash flow related to the operations, sale or refinance of the underlying property. This portfolio class includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral.

Commercial loans - The commercial loan portfolio segment includes commercial and industrial loans, agricultural loans and loans to state and municipalities. These loans include those loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows or tax revenues. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the customers' business operations.

Consumer loans - The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method for the periods indicated below (amounts in thousands). Acquired loans are not included in the allowance for loan losses calculation, as these loans are recorded at fair value and there has been no further indication of credit deterioration that would require an additional provision.

	Real Estate Mortgage Loans			Home Equity Lines Of Credit	Commercial	Consumer	Total
	Residential	Commercial	Construction and Land Development				
Allowance for Loan Losses							
Balance - December 31, 2019	\$ 1,412	\$ 3,601	\$ 987	\$ 344	\$ 1,910	\$ 425	\$ 8,679
Provision(credit) for loan losses	(405)	1,714	414	(125)	(208)	(74)	1,316
Loan charge-offs	-	-	-	-	(62)	(62)	(124)
Loan recoveries	1	4	5	1	35	16	62
Balance - March 31, 2020	<u>\$ 1,008</u>	<u>\$ 5,319</u>	<u>\$ 1,406</u>	<u>\$ 220</u>	<u>\$ 1,675</u>	<u>\$ 305</u>	<u>\$ 9,933</u>
Ending balance:							
Individually evaluated for impairment	\$ 34	\$ -	\$ -	\$ -	\$ 300	\$ -	\$ 334
Collectively evaluated for impairment	974	5,319	1,406	220	1,375	305	9,599
Total	<u>\$ 1,008</u>	<u>\$ 5,319</u>	<u>\$ 1,406</u>	<u>\$ 220</u>	<u>\$ 1,675</u>	<u>\$ 305</u>	<u>\$ 9,933</u>
Loans:							
Individually evaluated for impairment	\$ 741	\$ 2,464	\$ 143	\$ 314	\$ 407	\$ -	\$ 4,069
Collectively evaluated for impairment	240,801	310,454	124,133	46,193	176,020	39,775	937,376
Acquired loans with deteriorated credit quality	479	981	25	-	77	30	1,592
Total	<u>\$242,021</u>	<u>\$ 313,899</u>	<u>\$ 124,301</u>	<u>\$ 46,507</u>	<u>\$ 176,504</u>	<u>\$ 39,805</u>	<u>\$943,037</u>

	Real Estate Mortgage Loans				Commercial	Consumer	Total
	Residential	Commercial	Construction and Land Development	Home Equity Lines Of Credit			
Allowance for Loan Losses							
Balance - December 31, 2018	\$ 1,579	\$ 1,961	\$ 942	\$ 394	\$ 1,375	\$ 326	\$ 6,577
Provision for loan losses	80	268	(20)	24	177	11	540
Loan charge-offs	(2)	-	-	-	(75)	(41)	(118)
Loan recoveries	1	92	3	-	28	5	129
Balance - March 31, 2019	<u>\$ 1,658</u>	<u>\$ 2,321</u>	<u>\$ 925</u>	<u>\$ 418</u>	<u>\$ 1,505</u>	<u>\$ 301</u>	<u>\$ 7,128</u>

Ending balance:

Individually evaluated for impairment	\$ 507	\$ 44	\$ 5	\$ -	\$ 311	\$ 12	\$ 879
Collectively evaluated for impairment	1,151	2,277	920	418	1,194	289	6,249
Total	<u>\$ 1,658</u>	<u>\$ 2,321</u>	<u>\$ 925</u>	<u>\$ 418</u>	<u>\$ 1,505</u>	<u>\$ 301</u>	<u>\$ 7,128</u>

Loans:

Individually evaluated for impairment	\$ 2,007	\$ 2,458	\$ 155	\$ 325	\$ 427	\$ 51	\$ 5,423
Collectively evaluated for impairment	190,177	220,433	112,319	41,339	131,295	32,490	728,053
Acquired loans with deteriorated credit quality	318	51	65	-	62	69	565
Total	<u>\$192,502</u>	<u>\$ 222,942</u>	<u>\$ 112,539</u>	<u>\$ 41,664</u>	<u>\$ 131,784</u>	<u>\$ 32,610</u>	<u>\$734,041</u>

Among other loans, the Bank individually evaluates for impairment all nonaccrual loans and troubled debt restructured loans. A loan is considered impaired when, based on current events and circumstances it is probable that all amounts due according to the contractual terms of the loan will not be collected. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Management may also elect to apply an additional collective reserve to groups of impaired loans based on current economic or market factors. Interest payments received on impaired loans are generally applied as a reduction of the outstanding principal balance.

All other loans are deemed to be unimpaired and are grouped into various homogeneous risk pools utilizing regulatory reporting classifications. The Bank's historical loss factors are calculated for each of these risk pools based on the net losses experienced as a percentage of the average loans outstanding. The time periods utilized in these historical loss factor calculations are subjective and vary according to management's estimate of the impact of current economic cycles. As every loan has a risk of loss, minimum loss factors are estimated based on long term trends for the Bank, the banking industry, and the economy. The greater of the calculated historical loss factors or the minimum loss factors are applied to the unimpaired loan amounts currently outstanding for the risk pool and included in the analysis of the allowance for loan losses. In addition, certain qualitative adjustments may be included by management as additional loss factors applied to the unimpaired loan risk pools. These adjustments may include, among other things, changes in loan policy, loan administration, loan, geographic, or industry concentrations, loan growth rates, and experience levels of our lending officers. The loss allocations for specifically impaired loans, smaller impaired loans not specifically measured for impairment, and unimpaired loans are totaled to determine the total required allowance for loan losses. This total is compared to the current allowance on the Bank's books and adjustments made accordingly by a charge or credit to the provision for loan losses.

Treatment of Pandemic-related Loan Modifications Pursuant to the CARES Act and Interagency Statement

Section 4013 of the CARES Act, enacted on March 27, 2020, provides that, from the period beginning March 1, 2020 until the earlier of December 31, 2020 or the date that is 60 days after the date on which the national emergency concerning the COVID-19 pandemic declared by the President of the United States under the National Emergencies Act terminates (the "applicable period"), we may elect to suspend GAAP for loan modifications related to the pandemic that would otherwise be categorized as troubled debt restructurings (TDR) and suspend any determination of a loan modified as a result of the effects of the pandemic as being a TDR, including impairment for accounting purposes. The suspension is applicable for the term of the loan modification that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019. The suspension is not applicable to any adverse impact on the credit of a borrower that is not related to the pandemic.

In addition, our banking regulators and other financial regulators, on March 22, 2020 and revised April 7, 2020, issued a joint interagency statement titled the “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus” that encourages financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations due to the effects of the COVID-19 pandemic. Pursuant to the interagency statement, loan modifications that do not meet the conditions of Section 4013 of the CARES Act may still qualify as a modification that does not need to be accounted for as a TDR. Specifically, the agencies confirmed with the staff of the Financial Accounting Standards Board that short-term modifications made in good faith in response to the pandemic to borrowers who were current prior to any relief are not TDRs under GAAP. This includes short-term (e.g. six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. Appropriate allowances for loan and lease losses are expected to be maintained. With regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to the pandemic as past due because of the deferral. The interagency statement also states that during short-term pandemic-related loan modifications, these loans generally should not be reported as nonaccrual.

We have received requests from our borrowers for loan and lease deferrals and modifications include the deferral of principal payments or the deferral of principal and interest payments for terms generally 90-180 days. Requests are evaluated individually and approved modifications are based on the unique circumstances of each borrower. As of May 4, 2020, the Bank had placed approximately \$117 million of loans on a loan deferral plan as part of COVID-19 modifications. Of the loans participating in the deferral program, approximately 96 million have deferrals of principal and interest for three months and approximately \$21 million have deferrals of principal only for six months. In accordance with Section 4013 of the CARES Act and the interagency statement, we have not accounted for such loans as TDRs, nor have we designated them as past due or nonaccrual.

The following table presents impaired loans by class of loans as of March 31, 2020 (amounts in thousands). Purchased credit-impaired loans are not included in these tables because they are carried at fair value and accordingly have no related associated allowance.

	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Nonaccruing Impaired Loans					
Mortgage loans on real estate:					
Residential real estate	\$ 377	\$ 377	\$ 267	\$ 110	\$ 34
Commercial real estate	525	525	525	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	902	902	792	110	34
Home equity lines of credit	214	214	214	-	-
Commercial loans	134	134	-	134	134
Consumer loans	-	-	-	-	-
Total Loans	<u>\$ 1,250</u>	<u>\$ 1,250</u>	<u>\$ 1,006</u>	<u>\$ 244</u>	<u>\$ 168</u>

	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Accruing Impaired Loans					
Mortgage loans on real estate:					
Residential real estate	\$ 364	\$ 364	\$ 364	\$ -	\$ -
Commercial real estate	1,939	1,939	1,939	-	-
Construction and land development	206	143	143	-	-
Total mortgage loans on real estate	2,509	2,446	2,446	-	-
Home equity lines of credit	100	100	100	-	-
Commercial loans	274	273	107	166	166
Consumer loans	-	-	-	-	-
Total Loans	<u>\$ 2,883</u>	<u>\$ 2,819</u>	<u>\$ 2,653</u>	<u>\$ 166</u>	<u>\$ 166</u>

	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Total Impaired Loans					
Mortgage loans on real estate:					
Residential real estate	\$ 741	\$ 741	\$ 631	\$ 110	\$ 34
Commercial real estate	2,464	2,464	2,464	-	-
Construction and land development	206	143	143	-	-
Total mortgage loans on real estate	3,411	3,348	3,238	110	34
Home equity lines of credit	314	314	314	-	-
Commercial loans	408	407	107	300	300
Consumer loans	-	-	-	-	-
Total Loans	<u>\$ 4,133</u>	<u>\$ 4,069</u>	<u>\$ 3,659</u>	<u>\$ 410</u>	<u>\$ 334</u>

The following table presents impaired loans by class of loans as of December 31, 2019 (amounts in thousands). Purchased credit-impaired loans are not included in these tables because they are carried at fair value and accordingly have no related associated allowance.

	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Nonaccruing Impaired Loans					
Mortgage loans on real estate:					
Residential real estate	\$ 114	\$ 114	\$ -	\$ 114	\$ 19
Commercial real estate	-	-	-	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	114	114	-	114	19
Home equity lines of credit	214	214	214	-	-
Commercial loans	136	136	-	136	136
Consumer loans	-	-	-	-	-
Total Loans	<u>\$ 464</u>	<u>\$ 464</u>	<u>\$ 214</u>	<u>\$ 250</u>	<u>\$ 155</u>

	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Accruing Impaired Loans					
Mortgage loans on real estate:					
Residential real estate	\$ 479	\$ 479	\$ 479	\$ -	\$ -
Commercial real estate	2,304	2,304	2,014	290	7
Construction and land development	210	146	146	-	-
Total mortgage loans on real estate	2,993	2,929	2,639	290	7
Home equity lines of credit	100	100	100	-	-
Commercial loans	276	276	109	167	167
Consumer loans	-	-	-	-	-
Total Loans	<u>\$ 3,369</u>	<u>\$ 3,305</u>	<u>\$ 2,848</u>	<u>\$ 457</u>	<u>\$ 174</u>

	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Total Impaired Loans					
Mortgage loans on real estate:					
Residential real estate	\$ 593	\$ 593	\$ 479	\$ 114	\$ 19
Commercial real estate	2,304	2,304	2,014	290	7
Construction and land development	210	146	146	-	-
Total mortgage loans on real estate	3,107	3,043	2,639	404	26
Home equity lines of credit	314	314	314	-	-
Commercial loans	412	412	109	303	303
Consumer loans	-	-	-	-	-
Total Loans	<u>\$ 3,833</u>	<u>\$ 3,769</u>	<u>\$ 3,062</u>	<u>\$ 707</u>	<u>\$ 329</u>

The following table presents the average recorded investment in impaired loans and the interest income recognized on impaired loans in the three months ended March 31, 2020 and 2019 by loan category (amounts in thousands).

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Average Recorded Investment	Ending Recorded Investment	Interest Income	Average Recorded Investment	Ending Recorded Investment	Interest Income
Mortgage loans on real estate:						
Residential real estate	\$ 667	\$ 741	\$ 5	\$ 2,007	\$ 2,007	\$ 6
Commercial real estate	2,384	2,464	25	2,212	2,458	30
Construction and land development	144	143	2	156	155	2
Total mortgage loans on real estate	3,195	3,348	32	4,375	4,620	38
Home equity lines of credit	314	314	1	212	325	2
Commercial loans	410	407	4	344	427	5
Consumer loans	-	-	-	171	51	2
Total Loans	<u>\$ 3,919</u>	<u>\$ 4,069</u>	<u>\$ 37</u>	<u>\$ 5,102</u>	<u>\$ 5,423</u>	<u>\$ 47</u>

The following tables present the aging of loans and non-accrual loans as of March 31, 2020 and December 31, 2019, by class of loans (amounts in thousands).

As of March 31, 2020	Accruing Loans			Nonaccrual Loans	Total Loans
	Current	30-89 Days Past Due	90+ Days Past Due		
Mortgage loans on real estate:					
Residential real estate	\$ 239,386	\$ 1,687	\$ -	\$ 948	\$ 242,021
Commercial real estate	311,879	766	-	1,254	313,899
Construction and land development	124,221	59	-	21	124,301
Total mortgage loans on real estate	675,486	2,512	-	2,223	680,221
Home equity lines of credit	46,151	100	-	256	46,507
Commercial loans	175,783	475	-	246	176,504
Consumer loans	39,175	410	-	220	39,805
Total Loans	<u>\$ 936,595</u>	<u>\$ 3,497</u>	<u>\$ -</u>	<u>\$ 2,945</u>	<u>\$ 943,037</u>

As of December 31, 2019	Accruing Loans			Nonaccrual Loans	Total Loans
	Current	30-89 Days Past Due	90+ Days Past Due		
Mortgage loans on real estate:					
Residential real estate	\$ 235,339	\$ 1,190	\$ -	\$ 689	\$ 237,218
Commercial real estate	309,051	226	-	742	310,019
Construction and land development	112,916	534	-	76	113,526
Total mortgage loans on real estate	657,306	1,950	-	1,507	660,763
Home equity lines of credit	47,003	150	-	257	47,410
Commercial loans	160,288	788	-	210	161,286
Consumer loans	40,004	142	-	251	40,397
Total Loans	<u>\$ 904,601</u>	<u>\$ 3,030</u>	<u>\$ -</u>	<u>\$ 2,225</u>	<u>\$ 909,856</u>

The Bank categorizes loans in risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Bank uses the following definitions for its risk ratings:

Special Mention - Weakness exists that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. Collateral values generally afford adequate coverage but may not be immediately marketable.

Substandard - Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.

Doubtful - Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. There is no reliable secondary source of full repayment. Loans classified as doubtful will be placed on non-accrual, analyzed and fully or partially charged-off based on review of collateral and other relevant factors.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans. As of March 31, 2020 and December 31, 2019, and based on the most recent analysis performed as of those dates, the risk category of loans by class of loans is as follows (amounts in thousands):

As of March 31, 2020	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential real estate	\$ 236,827	\$ 3,443	\$ 1,751	\$ -	\$ 242,021
Commercial real estate	301,670	7,964	4,265	-	313,899
Construction and land development	122,896	1,107	298	-	124,301
Total mortgage loans on real estate	661,393	12,514	6,314	-	680,221
Home equity lines of credit	46,151	-	356	-	46,507
Commercial loans	168,802	6,905	797	-	176,504
Consumer loans	39,117	356	332	-	39,805
Total Loans	<u>\$ 915,463</u>	<u>\$ 19,775</u>	<u>\$ 7,799</u>	<u>\$ -</u>	<u>\$ 943,037</u>

As of December 31, 2019	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential real estate	\$ 232,017	\$ 3,589	\$ 1,612	\$ -	\$ 237,218
Commercial real estate	298,980	7,204	3,835	-	310,019
Construction and land development	111,883	1,420	223	-	113,526
Total mortgage loans on real estate	642,880	12,213	5,670	-	660,763
Home equity lines of credit	46,994	59	357	-	47,410
Commercial loans	158,969	1,482	835	-	161,286
Consumer loans	39,564	389	444	-	40,397
Total Loans	<u>\$ 888,407</u>	<u>\$ 14,143</u>	<u>\$ 7,306</u>	<u>\$ -</u>	<u>\$ 909,856</u>

Note 5 – Fair Value Measurements and Disclosures

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans and foreclosed assets. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

The Company groups assets and liabilities 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. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded or disclosed at fair value.

Cash and cash equivalents – For disclosure purposes, for cash, due from banks, interest-bearing deposits and federal funds sold, the carrying amount is a reasonable estimate of fair value.

Certificates of deposit – For disclosure purposes, the carrying amount of certificates of deposit is a reasonable estimate of fair value.

Securities available-for-sale – Securities available-for-sale 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 measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, repayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities included mortgage-backed securities issued by government sponsored enterprises and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Restricted equity securities - It is not practical to determine the fair value of restricted equity securities due to restrictions placed on transferability.

Loans and mortgage loans held-for-sale – The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. When a loan is identified as individually impaired, management measures impairment using one of three methods. These methods include collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. As of March 31, 2020 and December 31, 2019, impaired loans were evaluated based on the fair value of the collateral. Impaired loans for which an allowance is established based on the fair value of collateral, or loans that were charged down according to the fair value of collateral, require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, the Company records the impaired loan as nonrecurring Level 2. When the fair value is based on an appraised value, the Company records the impaired loan as nonrecurring Level 3.

For disclosure purposes, the fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value. Mortgage loans held-for-sale are carried at cost, which is a reasonable estimate of fair value.

Bank owned life insurance – For disclosure purposes, the fair value of the cash surrender value of bank owned life insurance policies is equivalent to the carrying value.

Accrued interest receivable - For disclosure purposes, the fair value of the accrued interest on investments and loans is the carrying value.

Foreclosed assets - Other real estate properties and miscellaneous repossessed assets are adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price, the Company records the foreclosed asset as nonrecurring Level 2. When fair value is based on an appraised value or management's estimate of value, the Company records the foreclosed asset as nonrecurring Level 3.

Deposit liabilities – For disclosure purposes, the fair value for demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities.

Accrued interest payable - For disclosure purposes, the fair value of the accrued interest payable on deposits is the carrying value.

Securities sold under agreements to repurchase – For disclosure purposes, the carrying amounts of securities sold under agreements to repurchase approximate their fair values.

Federal Home Loan Bank advances – For disclosure purposes the fair value of Federal Home Loan Bank advances is estimated using discounted cash flow analyses using interest rates offered for borrowings with similar maturities.

Federal funds purchased - For disclosure purposes, the fair value of federal funds purchased is the carrying value.

Note payable – For disclosure purposes the carrying amount of the adjustable rate note payable approximates fair value.

Commitments to extend credit and standby letters of credit - Because commitments to extend credit and standby letters of credit are generally short-term and made using variable rates, the carrying value and estimated fair value associated with these instruments are immaterial.

Assets and liabilities measured at fair value on a recurring basis - The only assets and liabilities measured at fair value on a recurring basis are our securities available-for-sale. There were no transfers between levels during the period. Information related to the Company's assets and liabilities measured at fair value on a recurring basis at March 31, 2020 and December 31, 2019 is as follows: (amounts in thousands)

	Fair Value Measurements At Reporting Date Using:			
	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2020				
Securities available-for-sale:				
Residential mortgage -backed	\$ 204,479	\$ -	\$ 204,479	\$ -
U.S. government sponsored enterprises	38,932	-	38,932	-
State, county, and municipal	80,566	-	80,566	-
Corporate debt obligations	2,526	-	2,526	-
Totals	<u>\$ 326,503</u>	<u>\$ -</u>	<u>\$ 326,503</u>	<u>\$ -</u>

	Fair Value Measurements At Reporting Date Using:			
	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Securities available-for-sale:				
Residential mortgage -backed	\$ 188,811	\$ -	\$ 188,811	\$ -
U.S. government sponsored enterprises	40,061	-	40,061	-
State, county, and municipal	71,751	-	71,751	-
Corporate debt obligations	2,680	-	2,680	-
Totals	<u>\$ 303,303</u>	<u>\$ -</u>	<u>\$ 303,303</u>	<u>\$ -</u>

Assets measured at fair value on a nonrecurring basis – The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of March 31, 2020 and December 31, 2019 (amounts in thousands):

	Fair Value Measurements At Reporting Date Using:			
	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2020				
Impaired loans	\$ 3,735	\$ -	\$ -	\$ 3,735
Foreclosed assets	565	-	-	565
Totals	<u>\$ 4,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,300</u>

December 31, 2019	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	\$ 3,440	\$ -	\$ -	\$ 3,440
Foreclosed assets	1,404	-	-	1,404
Totals	\$ 4,844	\$ -	\$ -	\$ 4,844

The Company has estimated the fair values of these assets using Level 3 inputs, specifically the appraised value of the collateral. Impaired loan balances represent those collateral dependent impaired loans where management has estimated the credit loss by comparing the loan's carrying value against the expected realizable fair value of the impaired loan for the amount of the credit loss.

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments as of March 31, 2020 and December 31, 2019 are as follows (amounts in thousands):

March 31, 2020	Carrying Amount	Estimated Fair Value		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 41,827	\$ 41,827	\$ -	\$ -
Certificates of deposit in banks	4,347	-	4,347	-
Securities available-for-sale	326,503	-	326,503	-
Loans held-for-sale	9,826	-	9,826	-
Loans receivable	929,544	-	955,370	3,735
Bank owned life insurance	28,418	-	28,418	-
Restricted equity securities	1,789	-	-	1,789
Accrued interest receivable	4,038	-	4,038	-
Financial liabilities:				
Deposits	1,224,090	-	1,218,866	-
Accrued interest payable	594	-	594	-
Securities sold under agreements to repurchase	7,483	-	7,483	-
Note payable	22,949	-	22,949	-

December 31, 2019	Carrying Amount	Estimated Fair Value		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 45,455	\$ 45,455	\$ -	\$ -
Certificates of deposit in banks	4,836	-	4,836	-
Securities available-for-sale	303,303	-	303,303	-
Loans held-for-sale	6,285	-	6,285	-
Loans receivable	897,105	-	903,303	3,440
Bank owned life insurance	28,219	-	28,219	-
Restricted equity securities	1,650	-	-	1,650
Accrued interest receivable	3,841	-	3,841	-
Financial liabilities:				
Deposits	1,174,299	-	1,146,130	-
Accrued interest payable	614	-	614	-
Securities sold under agreements to repurchase	8,707	-	8,707	-
Note payable	23,773	-	23,773	-

The estimated fair values of the standby letters of credit and loan commitments on which the committed interest rate is less than the current market rate are insignificant at March 31, 2020 and December 31, 2019.

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed-rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed-rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling-rate environment. Management monitors rates and maturities of assets and liabilities, and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 6 – Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "*Leases.*" Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases): 1) a lease liability, which is the present value of a lessee's obligation to make lease payments, and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting under the new guidance remains largely unchanged as it is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. Leveraged leases have been eliminated, although lessors can continue to account for existing leveraged leases using the current accounting guidance. Other limited changes were made to align lessor accounting with the lessee accounting model and the new revenue recognition standard. All entities will classify leases to determine how to recognize lease-related revenue and expense. Quantitative and qualitative disclosures will be required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The intention is to require enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities. ASU No. 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. All entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. As the Company elected the transition option provided in ASU No. 2018-11 (see below), the modified retrospective approach was applied on January 1, 2019 (as opposed to January 1, 2018). The Company also elected certain relief options offered in ASU 2016-02 including the package of practical expedients, the option not to separate lease and non-lease components and instead to account for them as a single lease component, and the option not to recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e., leases with terms of twelve months or less). The Company did not elect the hindsight practical expedient, which allows entities to use hindsight when determining lease term and impairment of right-of-use assets. The Company has several lease agreements, such as branch locations, which are considered operating leases, and therefore, were not previously recognized on the Company's consolidated statements of condition. The new guidance requires these lease agreements to be recognized on the consolidated statements of condition as a right-of-use asset and a corresponding lease liability. The new guidance did not have a material impact on the consolidated statements of income or the consolidated statements of cash flows. See Note 9 *Leases* for more information.

In July 2018, the FASB issued ASU No. 2018-11, "*Leases - Targeted Improvements*" to provide entities with relief from the costs of implementing certain aspects of the new leasing standard, ASU No. 2016-02. Specifically, under the amendments in ASU 2018-11: (1) entities may elect not to recast the comparative periods presented when transitioning to the new leasing standard, and (2) lessors may elect not to separate lease and non-lease components when certain conditions are met. The amendments have the same effective date as ASU 2016-02 (January 1, 2019 for the Company). The Company adopted ASU 2018-11 on its required effective date of January 1, 2019 and elected both transition options mentioned above. ASU 2018-11 did not have a material impact on the Company's Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new guidance will apply to most financial assets measured at amortized cost and certain other instruments including loans, debt securities held to maturity, net investments in leases and off-balance-sheet credit exposures. The guidance will replace the current incurred loss accounting model that delays recognition of a loss until it is probable a loss has been incurred with an expected loss model that reflects expected credit losses based upon a broader range of estimates including consideration of past events, current conditions and supportable forecasts. The guidance also eliminates the current accounting model for purchased credit impaired loans and debt securities. For securities available for sale, credit losses are to be recognized as allowances rather than reductions in the amortized cost of the securities, which will require re-measurement of the related allowance at each reporting period. The guidance includes enhanced disclosure requirements intended to help financial statement users better understand estimates and judgments used in estimating credit losses. The guidance was previously effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. During 2019, the FASB approved to delay the implementation date for this ASU for small SEC reporting companies, from the first quarter of 2020 to the first quarter of 2023. Our implementation efforts continued throughout 2018, assessing credit loss forecasting models and processes against the new guidance. In the first quarter of 2019 we began running the expected loss model along with our current model. While we continue to evaluate the impact the new guidance will have on our financial position and results of operations, we currently expect the new guidance may result in an increase to our allowance for credit losses given the change to estimated losses over the contractual life of the loan portfolio. The amount of any change to our allowance is still under review and will depend, in part, upon the composition of our loan portfolio at the adoption date as well as economic conditions and loss forecasts at that date.

In March 2017, the FASB issued ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities. The amendments shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this ASU are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The ASU did not have an impact on the Company's financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in GAAP. The new standard was effective for the Company on January 1, 2018. Adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements and related disclosures as the Company's primary sources of revenues are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of ASU 2014-09. The Company's revenue recognition pattern for revenue streams within the scope of ASU 2014-09, including but not limited to services charges on deposit accounts and credit card fees, did not change significantly from current practice.

Note 7 – Defined Contribution Plan

The Company provides a 401(k) employee stock ownership plan (KSOP), which covers substantially all of the Company's employees who are eligible, as to age and length of service. A participant may elect to make contributions up to \$19.5 thousand and \$19 thousand of the participant's annual compensation in 2020 and 2019, respectively. The Company makes contributions up to 3% of each participant's annual compensation and the Company matches 50% of the next 2% contributed by the employee. Contributions to the plan by Company were approximately \$147 thousand and \$119 thousand for the three months ended March 31, 2020 and 2019, respectively. Outstanding shares of the Company's common stock allocated to participants at March 31, 2020 and December 31, 2019 totaled 88,366 shares and there were no unallocated shares. These shares are treated as outstanding for purposes of calculating earnings per share and dividends on these shares are included in the Consolidated Statements of Stockholders' Equity.

The Company's KSOP includes a put option for shares of the Company's common stock distributed from the KSOP. Shares are distributed from the KSOP primarily to separate vested participants and certain eligible participants who elect to diversify their account balances. Since the Company's common stock is not currently traded on an established securities market, if the owners of distributed shares desire to sell their shares, the Company is required to purchase the shares at fair value during two put option periods following the distribution of the shares from the KSOP. The first put option period is within sixty days following the distribution of the shares from the KSOP. The second put option period begins on the first day of the fifth month of the plan year for a sixty day period. The fair value of distributed shares subject to the put option totaled \$0 as of March 31, 2020 and December 31, 2019. The cost of the KSOP shares totaled \$1.84 million as of March 31, 2020 and December 31, 2019. Due to the Company's obligation under the put option, the distributed shares and KSOP shares are classified as temporary equity in the mezzanine section of the consolidated statements of financial condition and totaled \$1.84 million as of March 31, 2020 and December 31, 2019. The fair value of the KSOP shares totaled \$2.45 million as of March 31, 2020 and December 31, 2019.

Note 8 – Acquisitions

On October 31, 2019, the Company completed its merger with Trinity Bancorp, Inc. (Trinity), a bank holding company headquartered in Dothan, Alabama. At that time, Trinity’s wholly-owned banking subsidiary, Trinity Bank was merged with and into RB&T. Trinity Bank had a total of three banking locations located in Dothan and Enterprise, Alabama. Upon consummation of the acquisition, Trinity was merged with and into the Company, with the Company as the surviving entity in the merger. Trinity’s common shareholders received .44627 shares of River Financial Corporation common stock and approximately \$3.50 in cash in exchange for each share of Trinity’s common stock. The company paid cash totaling \$6.1 million and issued 779,034 shares of River Financial Corporation common stock. The aggregate estimated value of the consideration given was approximately \$27.1 million. The Company recorded \$9.5 million of goodwill, which is nondeductible for tax purposes, as this acquisition was a nontaxable transaction. Merger expenses of approximately \$1.42 million were charged directly to other noninterest expenses.

On October 31, 2018, the Company completed its merger with PSB Bancshares, Inc. (PSB), a bank holding company headquartered in Clanton, Alabama. At that time, PSB’s wholly-owned banking subsidiary, Peoples Southern Bank was merged with and into RB&T. Peoples Southern Bank had a total of three banking locations located in Clanton, and Thorsby, Alabama. Upon consummation of the acquisition, PSB was merged with and into the Company, with the Company as the surviving entity in the merger. PSB’s common shareholders received sixty (60) shares of the Company’s common stock and \$6,610 in cash in exchange for each share of PSB’s common stock. The Company paid cash totaling \$24.5 million and issued 222,360 shares of the Company’s common stock. The aggregate estimated value of the consideration given was approximately \$30.5 million. The Company recorded \$8.2 million of goodwill, which is nondeductible for tax purposes, as this acquisition was a nontaxable transaction. Merger expenses of approximately \$1.84 million were charged directly to other noninterest expenses.

The acquisitions of Trinity and PSB were accounted for using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and are subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available.

Note 9 – Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. On January 1, 2019, the Company adopted ASU No. 2016-02 “*Leases*” (Topic 842) and all subsequent ASUs that modified Topic 842. For the Company, Topic 842 primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee.

Lessee Accounting

Substantially all of the leases in which the Company is the lessee are comprised of real estate property for branches and office space with terms extending through 2028. Substantially all of our leases are classified as operating leases, and therefore, were previously not recognized on the Company’s consolidated statements of condition. With the adoption of Topic 842, operating lease agreements are required to be recognized on the consolidated statements of condition as a right-of-use (“ROU”) asset and a corresponding lease liability.

The following table represents the consolidated statements of condition classification of the Company’s ROU assets and lease liabilities. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the consolidated statements of condition.

Lease Right-of-Use Assets	Classification on Consolidated Statement of Condition	March 31, 2020	December 31, 2019
Operating lease right-of-use assets	Other Assets	\$ 1,844	\$ 1,912

Lease Liabilities	Classification on Consolidated Statement of Condition	March 31, 2020	December 31, 2019
Operating lease liabilities	Accrued interest payable and other liabilities	\$ 1,923	\$ 1,987

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was used.

	March 31, 2020	December 31, 2019
Weighted-average remaining lease term for operating leases	6.92 Years	7.09 Years
Weighted-average discount rate for operating leases	6.00%	6.00%

Future minimum payments for operating leases with initial or remaining terms of one year or more as of March 31, 2020 were as follows:

	Operating Leases
April 1, 2020 - March 31, 2021	\$ 380
April 1, 2021 - March 31, 2022	355
April 1, 2022 - March 31, 2023	355
April 1, 2023 - March 31, 2024	355
April 1, 2024 - March 31, 2025	213
Afterward	<u>709</u>
Total future minimum lease payments	2,367
Amounts representing interest	(444)
Present value of net future minimum lease payments	<u>\$ 1,923</u>

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes thereto for the year ended December 31, 2019, which are contained in the Annual Report on Form 10-K for the year ended December 31, 2019. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Factors that could cause such differences are discussed in our 2019 Annual Report on Form 10-K under “Part I, Item 1A - Risk Factors.” We assume no obligation to update any of these forward-looking statements.

The following discussion pertains to our historical results, on a consolidated basis. However, because we conduct all of our material business operations through our subsidiaries, the discussion and analysis relates to activities primarily conducted at the subsidiary level.

All dollar amounts in the tables in this section are in thousands of dollars, except per share data, yields, percentages and rates or when specifically identified. As used in this Item, the words “we,” “us,” “our,” the “Company,” “RFC,” “River” and similar terms refer to River Financial Corporation and its consolidated affiliate, unless the context indicates otherwise.

Current Developments regarding COVID-19

As a result of the COVID-19 pandemic, and the potential adverse effects it may have on our customers, including our loan and depositor relationships, we are assessing how such developments could affect our business and operations. We have taken the following steps to operate in an environment that is safe for both our employees and customers (and the public in general) and have implemented guidelines and programs to assist our customers and help ensure the safe and sound operation of our bank.

Daily Operations

1. We have established social distancing policies in keeping with federal and state of Alabama guidelines to help ensure the health of our employees. To the extent possible, we have encouraged our employees to work from home remotely, and we believe such steps have been welcomed by, and helpful to, our employees.

2. Similarly, we have closed our lobbies at our main office and branches and public areas to walk-in business, and we permit in-person visits by customers and others by appointment only. Among other things, by appointment, customers may have in-person meetings at our facilities, consistent with social distancing policies, including customers who may wish to have access to their safe deposit boxes.

3. Our drive through facilities at all our locations remain open for customer service, and we believe that the drive-through option for customers has worked well. All of our ATM locations are operative.

We expect to continue with the foregoing procedures until both the federal and state guidance provides comfort that a return to a more normal operation environment is advisable and we, too, are comfortable with such return.

Participation in Government Programs

We are participating in several government programs designed to assist customers, to bolster the economy and to provide protection for the Bank.

Paycheck Protection Program

The Bank has participated as a lender in the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) as established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP was established under the CARES Act to provide up to \$349 billion of unsecured low interest rate loans to small businesses that have been impacted by the COVID-19 pandemic. Subsequent legislation was enacted to authorize an additional \$310 billion in PPP loans. The PPP loans are 100% guaranteed by the SBA. The loans have a fixed interest rate of 1%, payments of interest and principal are deferred for the first six months and the loans mature two years from origination. PPP loans are forgiven by the SBA (which makes forgiveness payments directly to the lender) to the extent the borrower uses the proceeds of the loan for certain purposes (primarily to fund payroll costs) during the eight-week period following origination and maintains certain employee and compensation levels. Lenders receive processing fees from the SBA for originating the PPP loans which are based on a percentage of the loan amount. As of May 4, 2020, the Bank has made approximately 1,966 PPP loans in the aggregate amount of approximately \$160.7 million.

Federal Reserve Paycheck Protection Program Liquidity Facility

The Bank plans to participate in the Federal Reserve's Paycheck Protection Program Liquidity Facility (PPPLF). Pursuant to the PPPLF, a bank may pledge its PPP loans as collateral to its regional Federal Reserve Bank and in return receive a non-recourse loan in the principal amount of such pledged PPP loans. The interest rate on the PPPLF loan is 35 basis points and it has to be repaid as the underlying pledged PPP loans are repaid (whether due to loan forgiveness payments by SBA, payments made by SBA under the guaranty, or payments made by the borrower). On April 9, 2020, the federal bank regulatory agencies announced an Interim Final Rule to modify the agencies' capital rules to neutralize the regulatory capital effects of participating in the PPPLF. The Interim Final Rule provides that an institution may exclude PPP Loans pledged as collateral under the PPPLF from total leverage exposure, average total consolidated assets, advanced approaches total risk-weighted assets and standardized total risk-weighted assets when calculating its regulatory capital ratios.

Main Street Lending Program

On April 9, 2020, the U.S. Department of the Treasury (Treasury) and the Federal Reserve Board announced several additional initiatives aimed at promoting maximum employment and stabilizing the economy, including the Main Street Lending Program (MSLP). The MSLP, as amended through April 30, 2020, establishes three new loan facilities for eligible borrowers: the Main Street New Loan Facility, the Main Street Expanded Loan Facility, and the Main Street Priority Loan Facility. The Federal Reserve has provided certain details and term sheets regarding the MSLP, but has not yet launched this program. These loans can be either new loans or expanded existing loans, with terms of up to four years and with principal and interest payments deferred for one year. The loans can be secured or unsecured. The interest rate on program loans will be one or three month LIBOR plus 300 basis points. Unlike the PPP, loans under the MSLP are not forgivable. There are a number of restrictions placed upon borrowers under the program, including restrictions on dividend payments, share buybacks and executive compensation through the first anniversary of the payoff of such loans. Borrowers are also restricted in the manner in which loan proceeds may be used (for example, it cannot use loan proceeds to pay existing debt of the lender).

The Federal Reserve is establishing a Special Purpose Vehicle to purchase participation interests in eligible loans made under the MSLP. The Treasury is providing \$75 billion to fund the Federal Reserve's special purpose vehicle that will buy MSLP loan participations from eligible lenders.

Eligible lenders are federally insured depository institutions, their holding companies and subsidiaries and foreign banks U.S. branches. Eligible lenders will originate the MSLP loans and are required to hold 5-15% of these loans, depending on the facility, and will sell the remainder of the MSLP loans as participation interests to the Federal Reserve's MSLP special purpose vehicle.

Details about these facilities and the MSLP are subject to additional guidance and modification by the Treasury and Federal Reserve in the forthcoming weeks. The Bank plans to closely review the program's terms and conditions and will consider participating as a lender.

Our Business

We are a bank holding company headquartered in Prattville, Alabama. We engage in the business of banking through our wholly-owned banking subsidiary, River Bank & Trust, which we may refer to as the "Bank," or "River Bank." Through the Bank, we provide a broad array of financial services to businesses, business owners, professionals, and consumers. As of March 31, 2020, we operated seventeen full-service banking offices in Alabama in the cities of Montgomery, Prattville, Millbrook, Wetumpka, Auburn, Opelika, Gadsden, Alexander City, Daphne, Clanton, Dothan, Enterprise, and Thorsby, Alabama. We also have a loan production office in Mobile, Alabama.

Segments

While our chief decision makers monitor the revenue streams of the various banking products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment. Because the overall banking operations comprise substantially all of the consolidated operations, no separate segment disclosures are presented in the accompanying consolidated financial statements.

Overview of First Quarter 2020 Results

Net income was \$3.7 million in the quarter ended March 31, 2020, compared with \$2.7 million in the quarter ended March 31, 2019. Several significant measures from the 2020 first quarter include:

- Net interest margin (taxable equivalent) of 3.97%, compared with 3.96% for the first quarter of 2019.
- Net interest income increase of \$2.9 million for the quarter ended March 31, 2020, representing a 30.36% rate of increase over the quarter ended March 31, 2019.
- Annualized return on average earning assets for the quarter ended March 31, 2020 of 1.18% compared with 1.08% for the quarter ended March 31, 2019.
- Annualized return on average equity for the quarter ended March 31, 2020 of 9.98% compared with 9.44% for the quarter ended March 31, 2019.
- Loan increase of \$33.7 million during the quarter, representing a 14.88% annualized growth rate.
- Securities available-for-sale increase of \$23.2 million during the quarter, representing a 30.60% annualized increase for the quarter.
- Deposit increase of \$49.8 million during the quarter, representing a 16.96% annualized growth rate.
- Stockholders' equity increase of \$5.4 million during the quarter representing a 14.94% annualized growth rate.
- Book value per share of \$23.45 at March 31, 2020, compared with \$22.66 per share at December 31, 2019.
- Tangible book value per share of \$18.40 at March 31, 2020, compared with \$17.55 at December 31, 2019.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in the notes to the financial statements for the year ended December 31, 2019, which are contained in our Annual Report filed on Form 10-K. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variation and may significantly affect our reported results and financial position for the current period or future periods. The use of estimates, assumptions, and judgment is necessary when financial assets and liabilities are required to be recorded at, or adjusted to reflect fair value. Assets carried at fair value inherently result in more financial statement volatility. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices or are provided by other independent third-party sources, when available. When such information is not available, management estimates valuation adjustments. Changes in underlying factors, assumptions or estimates in any of these areas could have a material impact on our future financial condition and results of operations.

The following briefly describes the more complex policies involving a significant amount of judgments about valuation and the application of complex accounting standards and interpretations.

Allowance for Loan Losses

We record estimated probable inherent credit losses in the loan portfolio as an allowance for loan losses. The methodologies and assumptions for determining the adequacy of the overall allowance for loan losses involve significant judgments to be made by management. Some of the more critical judgments supporting our allowance for loan losses include judgments about: creditworthiness of borrowers, estimated value of underlying collateral, assumptions about cash flow, determination of loss factors for estimating credit losses, and the impact of current events, conditions and other factors impacting the level of inherent losses. Under different conditions or using different assumptions, the actual or estimated credit losses that we may ultimately realize may be different than our estimates. In determining the allowance, we estimate losses on individual impaired loans, or groups of loans that are not impaired, where the probable loss can be identified and reasonably estimated. On a quarterly basis, we assess the risk inherent in our loan portfolio based on qualitative and quantitative trends in the portfolio, including the internal risk classification of loans, historical loss rates, changes in the nature and volume of the loan portfolio, industry or borrower concentrations, delinquency trends, detailed reviews of significant loans with identified weaknesses and the impact of local, regional and national economic factors on the quality of the loan portfolio. Based on this analysis, we may record a provision for loan losses in order to maintain the allowance at appropriate levels. For a more complete discussion of the methodology employed to calculate the allowance for loan losses, see note 1 to our consolidated financial statements for the year ended December 31, 2019, which are contained in our Annual Report on Form 10-K.

Investment Securities Impairment

We assess, on a quarterly basis, whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. In such instance, we would consider many factors, including the severity and duration of the impairment, our intent and ability to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry, and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value through current earnings.

Income Taxes

Deferred income tax assets and liabilities are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events recognized in the financial statements. A valuation allowance may be established to the extent necessary to reduce the deferred tax asset to a level at which it is “more likely than not” that the tax assets or benefits will be realized. Realization of tax benefits depends on having sufficient taxable income, available tax loss carrybacks or credits, the reversing of taxable temporary differences and/or tax planning strategies within the reversal period and that current tax law allows for the realization of recorded tax benefits.

Business Combinations

Assets purchased and liabilities assumed in a business combination are recorded at their fair value. The fair value of a loan portfolio acquired in a business combination requires greater levels of management estimates and judgment than the remainder of purchased assets or assumed liabilities. On the date of acquisition, when the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. We must estimate expected cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and adjusted accretable yield which will have a positive impact on interest income. In addition, purchased loans without evidence of credit deterioration are also handled under this method.

Comparison of the Results of Operations for the three months ended March 31, 2020 and 2019

The following is a narrative discussion and analysis of significant changes in our results of operations for the three months ended March 31, 2020 compared to the three months ended March 31, 2019.

Net Income

During the three months ended March 31, 2020, our net income was \$3.7 million, compared to \$2.7 million for the three months ended March 31, 2019, an increase of \$1.1 million, or 39.60%.

The primary reason for the increase in net income for the first quarter of 2020 as compared to the first quarter of 2019 was an increase in net interest income. During the three months ended March 31, 2020, net interest income was \$12.3 million compared to \$9.4 million for the three months ended March 31, 2019, an increase of \$2.9 million, or 30.36%. This increase is a result of higher levels of loan volume and other earning assets from organic growth as well as from growth through the Trinity Bank (Trinity) merger in 2019. The increase in interest income was accompanied by a corresponding increase in interest expense that resulted from deposit growth both organically and through the Trinity merger. Total noninterest income for the first quarter of 2020 was \$2.4 million compared to \$1.8 million for the quarter ended March 31, 2019. This increase in noninterest income was primarily the result of the \$311 thousand increase in secondary market mortgage origination income. There was also an increase of approximately \$218 thousand in service charges and fees which was mostly a result of additional income from the Trinity merger. Total noninterest expense in the first quarter of 2020 increased \$1.4 million, or 19.02%, from the first quarter of 2019. This increase was due primarily due to the Trinity merger. The most significant increase was an increase of \$1.1 million in salaries and employee benefits.

Net Interest Income and Net Interest Margin Analysis

The largest component of our net income is net interest income – the difference between the income earned on interest earning assets and the interest paid on deposits and borrowed funds used to support assets. Net interest income divided by average interest earning assets represents RFC’s net interest margin. The major factors that affect net interest income and net interest margin are changes in volumes, the yield on interest earning assets and the cost of interest bearing liabilities. Our net interest margin can also be affected by economic conditions, the competitive environment, loan demand, and deposit flow. Management’s ability to respond to changes in these factors by using effective asset-liability management techniques is critical to maintaining the stability of the net interest margin and the primary source of earnings. This is discussed in greater detail under the heading “Interest Sensitivity and Market Risk”.

Comparison of net interest income for the three months ended March 31, 2020 and 2019

The following table shows, for the three months ended March 31, 2020 and 2019, the average balances of each principal category of our earning assets and interest bearing liabilities and the average taxable equivalent yields on assets and average costs of liabilities. These yields and costs are calculated by dividing the income or expense by the average daily balance of the associated assets or liabilities (amounts in thousands).

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Interest earning assets						
Loans	\$ 920,521	\$ 12,732	5.55%	\$ 719,104	\$ 9,780	5.52%
Mortgage loans held for sale	5,314	41	3.11%	1,617	15	3.78%
Investment securities:						
Taxable securities	230,420	1,431	2.49%	174,903	1,097	2.54%
Tax-exempt securities	67,136	557	3.33%	54,326	437	3.27%
Interest bearing balances in other banks	34,984	130	1.50%	26,708	151	2.28%
Federal funds sold	-	-	0.00%	1,800	10	2.34%
Total interest earning assets	\$1,258,375	\$ 14,891	4.75%	\$ 978,458	\$ 11,490	4.76%
Interest bearing liabilities						
Interest bearing transaction accounts	\$ 273,852	\$ 225	0.33%	\$ 247,556	\$ 283	0.46%
Savings and money market accounts	368,525	748	0.81%	259,063	640	1.00%
Time deposits	247,303	1,093	1.77%	163,003	560	1.39%
Short-term debt	7,158	7	0.41%	9,377	13	0.55%
Federal Home Loan Bank advances	-	-		4,667	29	2.50%
Note payable	23,374	355	6.26%	26,596	399	6.06%
Total interest bearing liabilities	\$ 920,212	\$ 2,428	1.06%	\$ 710,262	\$ 1,924	1.10%
Noninterest-bearing funding of earning assets	338,163	-	0.00%	268,196	-	0.00%
Total cost of funding earning assets	\$1,258,375	\$ 2,428	0.77%	\$ 978,458	\$ 1,924	0.80%
Net interest rate spread			3.69%			3.66%
Net interest income/margin (taxable equivalent)		\$ 12,463	3.97%		\$ 9,566	3.96%
Tax equivalent adjustment		(170)			(136)	
Net interest income/margin		\$ 12,293	3.91%		\$ 9,430	3.91%

The following table reflects, for the three months ended March 31, 2020 and 2019, the changes in our net interest income due to variances in the volume of interest earning assets and interest bearing liabilities and variances in the associated rates earned or paid on these assets and liabilities (amounts in thousands).

	Three Months Ended March 31, 2020 vs. Three Months Ended March 31, 2019		
	Volume	Variance due to Yield/Rate	Total
<u>Interest earning assets</u>			
Loans	\$ 2,883	\$ 69	\$ 2,952
Mortgage loans held for sale	35	(9)	26
Investment securities:			
Taxable securities	363	(29)	334
Tax-exempt securities	110	10	120
Interest bearing balances in other banks	47	(68)	(21)
Federal funds sold	(10)	-	(10)
Total interest earning assets	\$ 3,428	\$ (27)	\$ 3,401
<u>Interest bearing liabilities</u>			
Interest bearing transaction accounts	\$ 30	\$ (88)	\$ (58)
Savings and money market accounts	273	(165)	108
Time deposits	292	241	533
Short-term debt	(4)	(2)	(6)
Federal Home Loan Bank advances	(29)	-	(29)
Note payable	(56)	12	(44)
Total interest bearing liabilities	\$ 506	\$ (2)	\$ 504
<u>Net interest income</u>			
Net interest income (taxable equivalent)	\$ 2,922	\$ (25)	\$ 2,897
Taxable equivalent adjustment	(32)	(2)	(34)
Net interest income	<u>\$ 2,890</u>	<u>\$ (27)</u>	<u>\$ 2,863</u>

Total interest income for the three months ended March 31, 2020 was \$14.7 million and total interest expense was \$2.4 million, resulting in net interest income of \$12.3 million for the period. For the same period of 2019, total interest income was \$11.4 million and total interest expense was \$1.9 million, resulting in net interest income of \$9.4 million for the period. This represents a 30.36% increase in net interest income when comparing the same period from 2020 and 2019. When comparing the variances related to interest income for the three months ended March 31, 2020 and 2019, the increase was primarily attributed to increases in average volumes in loans and investment securities. When comparing variances related to interest expense for the three months ended March 31, 2020 and 2019, the increase resulted primarily from an increase in the average volume of non-maturity deposits and time deposits. The increase in interest expense due to volume was partially offset by a decrease in the effective rates paid on non-maturity deposits while there was an increase in the effective rate paid on time deposits.

Provision for Loan Losses

The provision for loan losses represents a charge to earnings necessary to establish an allowance for loan losses that, in management's evaluation, is adequate to provide coverage for estimated losses on outstanding loans and to provide for uncertainties in the economy. As a result of evaluating the allowance for loan losses at March 31, 2020, management recorded a provision of \$1.3 million in the first quarter of 2020 compared to a provision of \$540 thousand in the first quarter of 2019. The significant increase in the provision was primarily related to economic uncertainty caused by the COVID-19 pandemic as well as the continued loan growth from March 31, 2019 to March 31, 2020.

The allowance for loan losses is increased by a provision for loan losses, which is a charge to earnings, and it is decreased by loan charge-offs and increased by recoveries on loans previously charged off. In determining the adequacy of the allowance for loan losses, we consider our historical loan loss experience, the general economic environment, our overall portfolio composition and other relevant information. As these factors change, the level of loan loss provision changes. When individual loans are evaluated for impairment and impairment is deemed necessary, a specific allowance is required for the impaired portion of the loan amount. Subsequent changes in the impairment amount will generally cause corresponding changes in the allowance related to the impaired loan and corresponding changes to the loan loss provision. As of March 31, 2020, the recorded allowance related to impaired loans was \$334 thousand. As of March 31, 2019, the recorded allowance related to impaired loans was \$879 thousand.

Noninterest Income

In addition to net interest income, we generate various types of noninterest income from our operations. Our banking operations generate revenue from service charges and fees mainly on deposit accounts. Our mortgage division generates revenue from originating and selling mortgage loans. Our investment brokerage division generates revenue through a revenue-sharing relationship with a registered broker-dealer. We also own life insurance policies on several key employees and record income on the increase in the cash surrender value of these policies.

The following table sets forth the principal components of noninterest income for the periods indicated (amounts in thousands).

	For the Three Months Ended March 31,	
	2020	2019
Service charges and fees	\$ 1,302	\$ 1,084
Investment brokerage revenue	35	17
Mortgage operations	734	423
Bank owned life insurance income	199	139
Net loss on sale of investment securities	(46)	-
Other noninterest income	137	135
Total noninterest income	<u>\$ 2,361</u>	<u>\$ 1,798</u>

Noninterest income for the three months ended March 31, 2020 was \$2.4 million compared to \$1.8 million for the same period in 2019. The most significant increase was a \$311 increase in secondary market mortgage operations income. The increase of \$218 thousand in service charges and fees was primarily related to an increase in the number of deposit accounts and activity within the deposit accounts which was partially a result of the Trinity merger in addition to organic growth.

Noninterest Expense

Noninterest expenses consist primarily of salaries and employee benefits, building occupancy and equipment expenses, advertising and promotion expenses, data processing expenses, legal and professional services expense and miscellaneous other operating expenses.

The following table sets forth the principal components of noninterest expense for the periods indicated (amounts in thousands).

	For the Three Months Ended March 31,	
	2020	2019
Salaries and employee benefits	\$ 5,079	\$ 4,020
Occupancy expenses	581	479
Equipment rentals, depreciation, and maintenance	298	276
Telephone and communications	117	78
Advertising and business development	143	208
Data processing	740	687
Foreclosed assets, net	87	66
Federal deposit insurance and other regulatory assessments	126	98
Legal and other professional services	189	177
Other operating expense	1,346	1,226
Total noninterest expense	<u>\$ 8,706</u>	<u>\$ 7,315</u>

Noninterest expense for the three months ended March 31, 2020 totaled \$8.7 million compared with \$7.3 million for the same period of 2019. The increase in almost all noninterest expense line items were associated with the Trinity merger. The increase was primarily a result of increases in salaries and employee benefits expense. Salaries and employee benefits increased \$1.1 million, or 26.34%, to \$5.1 million in the first quarter of 2020 from \$4.0 million in the first quarter of 2019. The number of full-time equivalent employees increased from approximately 188 at March 31, 2019 to approximately 221 at March 31, 2020 for an increase of approximately 17.55%. Occupancy expenses also increased \$102 thousand which was also mostly as a result of the Trinity merger.

Provision for Income Taxes

We recognized income tax expense of \$927 thousand for the three months ended March 31, 2020, compared to \$719 thousand for the three months ended March 31, 2019. The effective tax rate for the three months ended March 31, 2020 was 20.0% compared to 21.3% for the same period in 2019. The effective tax rate is affected by levels of items of income that are not subject to federal and/or state taxation and by levels of items of expense that are not deductible for federal and/or state income tax purposes.

Comparison of Financial Condition at March 31, 2020 and December 31, 2019

Overview

Our total assets increased \$53.5 million, or 3.92%, from December 31, 2019 to March 31, 2020. Loans, net of deferred fees and discounts, increased \$33.7 million, or 3.72%, from December 31, 2019 to March 31, 2020. Securities available-for-sale increased by \$23.2 million, or 7.65%, from December 31, 2019 to March 31, 2020. Cash and cash equivalents decreased \$3.6 million, or 7.98% from December 31, 2019 to March 31, 2020. Total deposits increased \$49.8 million, or 4.24%, from December 31, 2019 to March 31, 2020 which funded our loan growth. Total stockholders' equity increased \$5.4 million, or 3.74% from December 31, 2019 to March 31, 2020 primarily due to an increase in the net unrealized gain on securities available-for-sale along with strong earnings for the year.

Investment Securities

We use our securities portfolio primarily to enhance our overall yield on interest-earning assets, as a source of liquidity, as a tool to manage our balance sheet sensitivity and regulatory capital ratios, and as a base from which to pledge assets for public deposits. When our liquidity position exceeds current needs and our expected loan demand, other investments are considered as a secondary earnings alternative. As investments mature or pay down, they are used to meet current cash needs, or they are reinvested to maintain our desired liquidity position. We have historically designated all our securities as available-for-sale to provide flexibility in case an immediate need for liquidity arises, and we believe that the composition of the portfolio offers needed flexibility in managing our liquidity position and interest rate sensitivity without adversely impacting our regulatory capital levels. Securities available-for-sale are reported at fair value, with unrealized gains or losses reported as a separate component of other comprehensive income, net of deferred taxes. Purchase premiums and discounts are recognized in income using the interest method over the terms of the securities.

During the three months ended March 31, 2020, we purchased investment securities totaling \$40.3 million and sold investment securities with proceeds received of \$5.3 million including net realized losses of \$46 thousand.

The following tables summarize the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of securities available-for-sale at March 31, 2020 and December 31, 2019 (amounts in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2020:				
Securities available-for-sale:				
Residential mortgage-backed	\$ 200,197	\$ 4,296	\$ (14)	\$ 204,479
U.S. govt. sponsored enterprises	37,751	1,290	(109)	38,932
State, county, and municipal	77,904	2,760	(98)	80,566
Corporate debt obligations	2,656	6	(136)	2,526
Totals	<u>\$ 318,508</u>	<u>\$ 8,352</u>	<u>\$ (357)</u>	<u>\$ 326,503</u>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2019:				
Securities available-for-sale:				
Residential mortgage-backed	\$ 188,944	\$ 718	\$ (851)	\$ 188,811
U.S. govt. sponsored enterprises	39,355	812	(106)	40,061
State, county, and municipal	69,908	1,986	(143)	71,751
Corporate debt obligations	2,654	26	-	2,680
Totals	<u>\$ 300,861</u>	<u>\$ 3,542</u>	<u>\$ (1,100)</u>	<u>\$ 303,303</u>

Loans

Loans are the largest category of interest earning assets and typically provide higher yields than other types of interest earning assets. Associated with the higher loan yields are the inherent credit and liquidity risks which management attempts to control and counterbalance. Total loans averaged \$920.5 million during the three months ended March 31, 2020, or 73.2% of average interest earning assets, as compared to \$719.1 million, or 73.5% of average interest earning assets, for the three months ended March 31, 2019. At March 31, 2020, total loans, net of deferred loan fees and discounts, were \$939.5 million, compared to \$905.8 million at December 31, 2019, an increase of \$33.7 million, or 3.72%

The organic, or non-acquired, growth in average outstanding loans is primarily attributable to the Bank's ability to attract new customers from other financial institutions. We have hired experienced bankers in the markets we serve, and these employees were successful in transitioning many of their former clients as well as bringing new clients to the Bank. Our bankers are expected to maintain calling efforts to develop relationships with clients, and our philosophy is to be responsive to customer needs by providing service and decisions in a timely manner. Additionally, the markets we serve have shown some signs of economic recovery over the last few years which has increased demand for the services we provide.

The following table provides a summary of the loan portfolio as of March 31, 2020, and December 31, 2019.

	March 31, 2020		December 31, 2019	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	\$ 217,490	23.4%	\$ 211,440	23.6%
Closed-end 1-4 family - junior lien	8,865	1.0%	7,653	0.9%
Multi-family	15,666	1.7%	18,125	2.0%
Total residential real estate	242,021	26.1%	237,218	26.5%
Commercial real estate:				
Nonfarm nonresidential	290,444	31.2%	288,930	32.2%
Farmland	23,455	2.5%	21,089	2.4%
Total commercial real estate	313,899	33.7%	310,019	34.6%
Construction and land development:				
Residential	64,983	7.0%	53,386	6.0%
Other	59,318	6.4%	60,140	6.7%
Total construction and land development	124,301	13.4%	113,526	12.7%
Home equity lines of credit	46,507	5.0%	47,410	5.3%
Commercial loans:				
Other commercial loans	145,456	15.6%	136,301	15.2%
Agricultural	8,106	0.9%	2,826	0.3%
State, county, and municipal loans	22,942	2.5%	22,159	2.4%
Total commercial loans	176,504	19.0%	161,286	17.9%
Consumer loans				
Total gross loans	943,037	101.5%	909,856	101.5%
Allowance for loan losses	(9,933)	-1.1%	(8,679)	-1.0%
Net discounts	(2,067)	-0.2%	(2,647)	-0.3%
Net deferred loan fees and discounts	(1,493)	-0.2%	(1,425)	-0.2%
Net loans	<u>\$ 929,544</u>	<u>100.0%</u>	<u>\$ 897,105</u>	<u>100.0%</u>

In this context, a “real estate loan” is defined as any loan, secured by real estate, regardless of the purpose of the loan. It is common practice for financial institutions in our market areas, and for our Bank, to obtain a security interest or lien in real estate whenever possible, in addition to any other available collateral. This collateral is taken to reinforce the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the real estate loan portfolio component. In general, we prefer real estate collateral to many other potential collateral sources, such as accounts receivable, inventory and equipment.

Real estate loans are the largest component of our loan portfolio and include residential real estate loans, commercial real estate loans, and construction and land development loans. At March 31, 2020, this category totaled \$680.2 million, or 72.13% of total gross loans, compared to \$660.8 million, or 72.62%, at December 31, 2019. Real estate loans increased \$19.4 million, or 2.94%, during the period December 31, 2019 to March 31, 2020. Commercial loans increased \$15.2 million, or 9.44% during the same period. Our management team and lending officers have a great deal of experience and expertise in real estate lending and commercial lending.

The Federal regulatory agencies issued two “guidance” documents that have a significant impact on real estate related lending and, thus, on the operations of the Bank. One part of the guidance could require lenders to restrict lending secured primarily by certain categories of commercial real estate to a level of 300% of their capital or raise additional capital. This factor, combined with the current economic environment, could affect the Bank’s lending strategy away from, or to limit its expansion of, commercial real estate lending which has been a material part of River Financial Corporation’s lending strategy. This could also have a negative impact on our lending and profitability. Management actively monitors the composition of the Bank’s loan portfolio, focusing on concentrations of credit, and the results of that monitoring activity are periodically reported to the Board of Directors.

The other guidance relates to the structuring of certain types of mortgages that allows negative amortization of consumer mortgage loans. Although the Bank does not engage at present in lending using these types of instruments, the guidance could have the effect of making the Bank less competitive in consumer mortgage lending if the local market is driving the demand for such an offering.

Allowance for Loan Losses, Provision for Loan Losses and Asset Quality

Allowance for loan losses and provision for loan losses

The allowance for loan losses represents management's estimate of probable inherent credit losses in the loan portfolio. Management determines the allowance based on an ongoing evaluation of risk as it correlates to potential losses within the portfolio. Increases to the allowance for loan losses are made by charges to the provision for loan losses. Loans deemed to be uncollectible are charged against the allowance. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

Management utilizes a review process for the loan portfolio to identify loans that are deemed to be impaired. A loan is considered impaired when it is probable that the Bank will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement or when the loan is deemed to be a troubled debt restructuring. For loans and loan relationships deemed to be impaired that are \$100 thousand, or greater, management determines the estimated value of the underlying collateral, less estimated costs to acquire and sell the collateral, or the estimated net present value of the cash flows expected to be received on the loan or loan relationship. These amounts are compared to the current investment in the loan and a specific allowance for the deficiency, if any, is specifically included in the analysis of the allowance for loan losses. For loans and loan relationships less than \$100 thousand that are deemed to be impaired, management applies a general loss factor of 15% and includes that amount in the analysis of the allowance for loan losses rather than specifically measuring the impairment for each loan or loan relationship.

All other loans are deemed to be unimpaired and are grouped into various homogeneous risk pools primarily utilizing regulatory reporting classification codes. The Bank's historical loss factors are calculated for each of the risk pools based on the percentage of net losses experienced as a percentage of the average loans outstanding. The time periods utilized in these historical loss factor calculations are subjective and vary according to management's estimate of the impact of current economic cycles. As every loan has a risk of loss, minimum loss factors are estimated based on long term trends for the Bank, the banking industry, and the economy. The greater of the calculated historical loss factors or the minimum loss factors are applied to the unimpaired loan amounts currently outstanding for the risk pool and included in the analysis of the allowance for loan losses. In addition, certain qualitative adjustments may be included by management as additional loss factors. These adjustments may include, among other things, changes in loan policy, loan administration, loan geographic or industry concentrations, loan growth rates, and experience levels of our lending officers. The loss allocations for specifically impaired loans, smaller impaired loans not specifically measured for impairment, and unimpaired loans are totaled to determine the total required allowance for loan losses. This total is compared to the current allowance on the Bank's books and adjustments made accordingly by a charge or credit to the provision for loan losses.

Management believes the data it uses in determining the allowance for loan losses is sufficient to estimate potential losses in the loan portfolio; however, actual results could differ from management's estimate.

The following table presents a summary of changes in the allowance for loan losses for the periods indicated (amounts in thousands).

	As of and for the Three Months Ended:	
	March 31, 2020	March 31, 2019
Allowance for loan losses at beginning of period	\$ 8,679	\$ 6,577
Charge-offs:		
Mortgage loans on real estate:		
Residential real estate	-	2
Commercial real estate	-	-
Construction and land development	-	-
Total mortgage loans on real estate	-	2
Home equity lines of credit	-	-
Commercial	61	75
Consumer	63	41
Total	124	118
Recoveries:		
Mortgage loans on real estate:		
Residential real estate	1	1
Commercial real estate	4	92
Construction and land development	5	3
Total mortgage loans on real estate	10	96
Home equity lines of credit	1	-
Commercial	35	28
Consumer	16	5
Total	62	129
Net charge-offs (recoveries)	62	(11)
Provision for loan losses	1,316	540
Allowance for loan losses at end of period	<u>\$ 9,933</u>	<u>\$ 7,128</u>
Total loans outstanding, net of deferred loan fees	939,477	731,609
Average loans outstanding, net of deferred loan fees	920,521	719,104
Allowance for loan losses to period end loans	1.06%	0.97%
Net charge-offs (recoveries) to average loans (annualized)	0.03%	-0.01%

Allocation of the Allowance for Loan Losses

While no portion of the allowance for loans losses is in any way restricted to any individual loan or group of loans and the entire allowance is available to absorb losses from any and all loans, the following table represents management's allocation of the allowance for loan losses to specific loan categories as of the dates indicated (amounts in thousands).

	March 31, 2020		December 31, 2019	
	Amount	Percent of Total	Amount	Percent of Total
Mortgage loans on real estate:				
Residential real estate	\$ 1,008	10.1%	\$ 1,412	16.3%
Commercial real estate	5,319	53.5%	3,601	41.5%
Construction and land development	1,406	14.2%	987	11.4%
Total mortgage loans on real estate	7,733	77.8%	6,000	69.2%
Home equity lines of credit	220	2.2%	344	4.0%
Commercial	1,675	16.9%	1,910	22.0%
Consumer	305	3.1%	425	4.8%
Total	<u>\$ 9,933</u>	<u>100.0%</u>	<u>\$ 8,679</u>	<u>100.0%</u>

Nonperforming Assets

The following table presents our nonperforming assets as of the dates indicated (amounts in thousands):

	March 31,		December 31,
	2020	2019	2019
Nonaccrual loans	\$ 2,945	\$ 3,168	\$ 2,225
Accruing loans past due 90 days or more	-	-	-
Total nonperforming loans	2,945	3,168	2,225
Foreclosed assets	565	335	1,404
Total nonperforming assets	\$ 3,510	\$ 3,503	\$ 3,629
Allowance for loan losses to period end loans	1.06%	0.97%	0.96%
Allowance for loan losses to period end nonperforming loans	337.28%	225.00%	390.07%
Net charge-offs (recoveries) to average loans (annualized)	0.03%	-0.01%	0.11%
Nonperforming assets to period end loans and foreclosed property	0.37%	0.48%	0.40%
Nonperforming loans to period end loans	0.31%	0.43%	0.25%
Nonperforming assets to total assets	0.25%	0.32%	0.27%
Period end loans	939,477	731,609	905,784
Period end total assets	1,417,421	1,090,413	1,363,936
Allowance for loan losses	9,933	7,128	8,679
Average loans for the period	920,521	719,104	763,905
Net charge-offs for the period	62	(11)	808
Period end loans plus foreclosed property	940,042	731,944	907,188

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts that the borrower's financial condition is such that the collection of interest is doubtful. When a loan is placed on nonaccrual status, all accrued interest on the loan is reversed and deducted from earnings as a reduction of reported interest income. No additional interest is accrued on the loan balance until collection of both principal and interest becomes reasonably certain. Payments received while the loan is on nonaccrual status are applied to the loan's outstanding principal balance. When a problem loan is fully resolved, there may ultimately be an actual write-down or charge-off of the principal balance of the loan which would necessitate additional charges to the allowance for loan losses.

Deposits

Deposits, which include noninterest bearing demand deposits, interest bearing demand deposits, money market accounts, savings accounts, and time deposits, are the principal source of funds for the Bank. We offer a variety of products designed to attract and retain customers, with primary focus on building and expanding client relationships. Management continues to focus on establishing a comprehensive relationship with consumer and business borrowers, seeking deposits as well as lending relationships.

The following table details the composition of our deposit portfolio as of March 31, 2020, and December 31, 2019.

	March 31, 2020		December 31, 2019	
	Amount	Percent of Total	Amount	Percent of Total
Demand deposits, non-interest bearing	\$ 320,795	26.2%	\$ 321,458	27.4%
Demand deposits, interest bearing	272,976	22.3%	280,065	23.8%
Money market accounts	309,741	25.3%	268,991	22.9%
Savings deposits	66,393	5.4%	66,067	5.6%
Time certificates of \$250 thousand or more	85,399	7.0%	73,073	6.2%
Other time certificates	168,786	13.8%	164,645	14.1%
Totals	\$ 1,224,090	100.0%	\$ 1,174,299	100.0%

Total deposits were \$1.22 billion at March 31, 2020, an increase of \$50 million from December 31, 2019 with the increase resulting mainly in the balances of money market accounts and demand deposit accounts. The seasonality of these demand deposits is related to property tax collections and to agricultural production.

The following table presents the Bank's time certificates of deposits by various maturities as of March 31, 2020 (amounts in thousands).

	All Time Deposits	Time Deposits \$100 or more	Time Deposits less than \$100
Three months or less	\$ 50,348	\$ 33,263	\$ 17,085
Greater than three months through six months	73,607	51,950	21,657
Greater than six months through one year	69,719	46,472	23,247
Greater than one year through three years	47,203	34,122	13,081
Greater than three years	13,308	9,320	3,988
Total	<u>\$ 254,185</u>	<u>\$ 175,127</u>	<u>\$ 79,058</u>

Other Funding Sources

We supplement our deposit funding with wholesale funding when needed for balance sheet planning and management or when the terms are attractive and will not disrupt our offering rates in our markets. A source we have used for wholesale funding is the Federal Home Loan Bank of Atlanta (FHLB). The line of credit with the FHLB is secured by pledges of various loans in our loan portfolio. At March 31, 2020, the FHLB line of credit available was \$189.3 million and at December 31, 2019 it was \$179.6 million. As of March 31, 2020 and December 31, 2019 we have no Federal Home Loan Bank advances outstanding. We also have lines of credit for federal funds borrowings with other banks that totaled \$38.5 million at March 31, 2020 and December 31, 2019. Furthermore, we have pledged certain loans to the Federal Reserve Bank (FRB) to secure a line of credit. At March 31, 2020, the FRB line of credit available was \$129.1 million and at December 31, 2019, the FRB line of credit available was \$117.2 million. We have never drawn on the FRB line of credit and consider it a contingency line of credit to be used only for emergency liquidity management.

On October 31, 2018, the Company entered into a loan agreement with CenterState Bank for \$27 million. The loan proceeds were drawn and received by the Company on October 31, 2018. The loan proceeds were used to fund the payment of the cash consideration to the PSB shareholders of \$24.5 million in accordance with the PSB merger agreement and for general corporate purposes. The loan carries a fixed interest rate of 6%. The loan is secured by all of the common stock of the Bank. The balance at March 31, 2020 and December 31, 2019 was \$22.9 million and \$23.8 million, respectively. Principal and interest payments are due quarterly and began in January 2019. The final principal payment will be paid at October 30, 2025. The terms of the loan agreement require the Bank to maintain a classified assets to tier 1 capital plus ALLL ratio not to exceed 40%, a tier 1 leverage ratio of at least 8%, a total risk-based ratio of at least 12%, and a fixed charge coverage ratio of at least 1:3:1 times. The loan agreement also requires the Bank to maintain at least \$2 million in liquid assets at all times during the term of the loan.

Principal payments on the CenterState Bank Loan are due as follows:

April 1, 2020 - March 31, 2021	\$	3,442
April 1, 2021 - March 31, 2022		3,660
April 1, 2022 - March 31, 2023		3,888
April 1, 2023 - March 31, 2024		4,130
April 1, 2024 - March 31, 2025		4,386
Afterward		3,443
Total	\$	<u>22,949</u>

Liquidity

Market and public confidence in our financial strength and financial institutions in general will largely determine our access to appropriate levels of liquidity. This confidence is significantly dependent on our ability to maintain sound asset quality and appropriate levels of capital reserves.

Liquidity is defined as the ability to meet anticipated customer demands for funds under credit commitments and deposit withdrawals at a reasonable cost and on a timely basis. We measure our liquidity position by giving consideration to both on- and off-balance sheet sources of and demands for funds on a daily, weekly and monthly basis.

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liabilities, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations cost-effectively and to meet current and future potential obligations such as loan commitments and unexpected deposit outflows. In this process, we focus on assets and liabilities and on the manner in which they combine to provide adequate liquidity to meet our needs.

Funds are available from a number of basic banking activity sources, including the core deposit base, the repayment and maturity of loans, and investment cash flows. Other funding sources include federal funds borrowings, brokered certificates of deposit and borrowings from the FHLB and FRB.

Cash and cash equivalents at March 31, 2020 and December 31, 2019, were \$41.8 million and \$45.5 million, respectively. Based on recorded cash and cash equivalents, management believes River Financial Corporation's liquidity resources were sufficient at March 31, 2020 to fund loans and meet other cash needs as necessary.

Off-Balance Sheet Arrangements

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized by the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The 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 is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. In most cases, the Company requires collateral or other security to support financial instruments with credit risk.

Financial instruments whose contract amount represents credit risk at March 31, 2020 and December 31, 2019 were as follows (amounts in thousands):

	March 31, 2020	December 31, 2019
Commitments to extend credit	\$ 194,417	\$ 196,866
Stand-by and performance letters of credit	5,141	5,000
Total	\$ 199,558	\$ 201,866

Contractual Obligations

While our liquidity monitoring and management considers both present and future demands for and sources of liquidity, the following table of contractual commitments focuses only on future obligations as of March 31, 2020 (amounts in thousands).

	Due in 1 year or less	Due after 1 through 3 years	Due after 3 through 5 years	Due after 5 years	Total
Deposits without a stated maturity	\$ 969,905	\$ -	\$ -	\$ -	\$ 969,905
Certificates of deposit of less than \$100	61,989	13,081	3,899	89	79,058
Certificates of deposit of \$100 or more	131,685	34,122	9,320	-	175,127
Securities sold under agreements to repurchase	7,483	-	-	-	7,483
Note payable	3,442	7,548	8,516	3,443	22,949
Operating leases	615	1,117	819	704	3,255
Total contractual obligations	\$ 1,175,119	\$ 55,868	\$ 22,554	\$ 4,236	\$ 1,257,777

Capital Position and Dividends

At March 31, 2020 and December 31, 2019, total stockholders' equity was \$150.6 million and \$145.2 million, respectively. The increase of \$5.4 million resulted mainly from the net change in retained earnings and other comprehensive income for the three months ended March 31, 2020. Retained earnings for the first three months of 2020 increased \$1.4 million and other comprehensive income increased \$4.2 million. The ratio of stockholders' equity to total assets was 10.63% and 10.65% at March 31, 2020 and December 31, 2019, respectively.

River Bank & Trust is subject to various regulatory capital requirements administered by the federal banking agencies. Certain items such as goodwill and other intangible assets are deducted from total capital in arriving at the various regulatory capital measures such as Common Equity Tier 1 capital, Tier 1 capital, and total risk based capital. 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 River Financial Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, River Bank & Trust must meet specific capital guidelines that involve quantitative measures of the bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory regulations and guidelines. River Bank & Trust's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

River Bank & Trust is eligible to utilize the community bank leverage ratio (CBLR) framework. The Bank has evaluated this option and has elected not to utilize the CBLR framework at this time, but may do so in the future.

Quantitative measures, established by regulation to ensure capital adequacy effective January 1, 2015, require River Bank & Trust to maintain minimum amounts and ratios (set forth in the table below) of total risk based capital, Common Equity Tier 1 capital, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined).

Management believes, as of March 31, 2020, that the Bank meets all capital adequacy requirements to which it is subject. The following table presents the Bank's capital amounts and ratios as of March 31, 2020 with the required minimum levels for capital adequacy purposes including the phase in of the capital conservation buffer under Basel III and minimum levels to be well capitalized (as defined) under the regulatory prompt corrective action regulations.

As of March 31, 2020:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (To Risk-Weighted Assets)	\$ 145,025	13.976%	\$ 108,954	>= 10.500%	\$ 103,766	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	135,093	13.019%	72,636	>= 7.000%	67,448	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	135,093	13.019%	88,201	>= 8.500%	83,013	>= 8.00%
Tier 1 Capital (To Average Assets)	135,093	10.024%	53,906	>= 4.000%	67,382	>= 5.00%

Management believes, as of December 31, 2019, that the Bank met all capital adequacy requirements to which it was subject at the time. The following table presents the Bank's capital amounts and ratios as of December 31, 2019 with the required minimum levels for capital adequacy purposes and minimum levels to be well capitalized (as defined) under the prompt corrective action regulations.

As of December 31, 2019:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (To Risk-Weighted Assets)	\$ 143,039	14.351%	\$ 104,658	>= 10.500%	\$ 99,674	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	134,359	13.480%	69,772	>= 7.000%	64,788	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	134,359	13.480%	84,723	>= 8.500%	79,739	>= 8.00%
Tier 1 Capital (To Average Assets)	134,359	10.730%	50,086	>= 4.000%	62,607	>= 5.00%

River Financial Corporation's principal source of funds for dividend payments and debt service is dividends received from River Bank & Trust. There are statutory limitations on the payment of dividends by River Bank & Trust to River Financial Corporation. As of March 31, 2020, the maximum amount the Bank could dividend to River Financial Corporation without prior regulatory authority approval was approximately \$17.1 million. In addition to dividend restrictions, federal statutes prohibit unsecured loans from banks to bank holding companies.

During the three months ending March 31, 2020 there were no incentive stock options issued. During the same period, there were 34,125 incentive stock options exercised at a weighted average exercise price of \$13.87 per share. A total of 394,500 incentive stock options were outstanding as of March 31, 2020 with a weighted average exercise price of \$21.97 per share and a weighted average remaining life of 7.23 years.

Interest Sensitivity and Market Risk

Management monitors and manages the pricing and maturity of our assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on net interest income. The principal monitoring technique employed by the Bank is simulation analysis.

In simulation analysis, we review each asset and liability category and its projected behavior in various different interest rate environments. These projected behaviors are based on management's past experience and on current competitive environments, including the various environments in the different markets in which we compete. Using projected behavior and differing rate scenarios as inputs, the simulation analysis generates projections of net interest income. We also periodically verify the validity of this approach by comparing actual results with those that were projected in previous models.

Another technique used in interest rate management, but to a lesser degree than simulation analysis, is the measurement of the interest sensitivity "gap", which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. Interest rate sensitivity can be managed by repricing assets and liabilities, selling securities available for sale, replacing an asset or liability at maturity or by adjusting the interest rate during the life of an asset or liability.

We evaluate interest rate sensitivity risk and then formulate guidelines regarding asset generation and repricing, and sources and prices of off-balance sheet commitments in order to maintain interest sensitivity risk at levels deemed prudent by management. We use computer simulations to measure the net income effect of various rate scenarios. The modeling reflects interest rate changes and the related impact on net income over specified periods of time.

The following table illustrates our interest rate sensitivity at March 31, 2020, assuming the relevant assets and liabilities are collected and paid, respectively, based upon historical experience rather than their stated maturities (amounts in thousands).

	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yrs	2-3 Yrs	>3 Yrs	Total
Interest earning assets							
Loans	\$ 219,432	\$ 59,947	\$202,433	\$155,895	\$108,245	\$193,525	\$ 939,477
Securities	6,989	11,654	47,244	50,999	41,912	167,705	326,503
Certificates of deposit in banks	1,213	496	488	739	245	1,166	4,347
Cash balances in banks	18,693	-	-	-	-	-	18,693
Federal funds sold	—	-	-	-	-	-	—
Total interest earning assets	\$ 246,327	\$ 72,097	\$250,165	\$207,633	\$150,402	\$362,396	\$1,289,020
Interest bearing liabilities							
Interest bearing transaction accounts	\$ 111,076	\$ 3,772	\$ 16,977	\$ 22,637	\$ 22,637	\$ 95,876	\$ 272,975
Savings and money market accounts	214,898	4,990	22,449	29,933	29,933	73,931	376,134
Time deposits	20,315	30,619	141,376	35,910	10,523	15,442	254,185
Securities sold under agreements to repurchase	7,483	-	-	-	-	-	7,483
Note payable	843	-	2,599	3,660	3,888	11,959	22,949
Total interest bearing liabilities	\$ 354,615	\$ 39,381	\$183,401	\$ 92,140	\$ 66,981	\$197,208	\$ 933,726
Interest sensitive gap							
Period gap	\$(108,288)	\$ 32,716	\$ 66,764	\$115,493	\$ 83,421	\$165,188	\$ 355,294
Cumulative gap	\$(108,288)	\$(75,572)	\$ (8,808)	\$106,685	\$190,106	\$355,294	
Cumulative gap - Rate Sensitive Assets/ Rate Sensitive Liabilities	-8.4%	-5.9%	-0.7%	8.3%	14.7%	27.6%	

The Bank generally benefits from increasing market interest rates when it has an asset-sensitive gap (a positive number) and generally benefits from decreasing market interest rates when it is liability sensitive (a negative number). As shown in the table above, the Bank is liability sensitive on a cumulative basis throughout the one year time frame. The interest sensitivity analysis presents only a static view of the timing and repricing opportunities, without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. For example, rates paid on a substantial portion of core deposits may change contractually within a relatively short time frame, but those are viewed by management as significantly less interest sensitive than market-based rates such as those paid on non-core deposits. For this and other reasons, management relies more upon the simulations analysis (as noted above) in managing interest rate risk. Net interest income may be impacted by other significant factors in a given interest rate environment, including changes in volume and mix of interest earning assets and interest bearing liabilities.

The Bank's earnings are dependent, to a large degree, on its net interest income, which is the difference between interest income earned on all interest earning assets, primarily loans and securities, and interest paid on all interest bearing liabilities, primarily deposits. Market risk is the risk of loss from adverse changes in market prices and interest rates. Our market risk arises primarily from inherent interest rate risk in our lending, investing and deposit gathering activities. We seek to reduce our exposure to market risk through actively monitoring and managing interest rate risk. Management relies on simulations analysis to evaluate the impact of varying levels of prevailing interest rates and the sensitivity of specific earning assets and interest bearing liabilities to changes in those prevailing rates. Simulation analysis consists of evaluating the impact on net interest income given changes from 400 basis points below the current prevailing rates to 400 basis points above current prevailing interest rates. Management makes certain assumptions as to the effect varying levels of interest rates have on certain interest earning assets and interest bearing liabilities, which assumptions consider both historical experience and consensus estimates of outside sources.

The following table illustrates the results of our simulation analysis to determine the extent to which market risk would affect net interest income for the next twelve months if prevailing interest rates increased or decreased by the specified amounts from current rates. As noted above, this model uses estimates and assumptions in asset and liability account rate reactions to changes in prevailing interest rates. However, to isolate the market risk inherent in the balance sheet, the model assumes that no growth in the balance sheet occurs during the projection period. This model also assumes an immediate and parallel shift in interest rates, which would result in no change in the shape or slope of the interest rate yield curve. Because of the inherent use of the estimates and assumptions in the simulation model to derive this market risk information, the actual results of the future impact of market risk on our net interest income may differ from that found in the table. Given the current level of prevailing interest rates, management believes prevailing market rates falling 300 basis points and 400 basis points are not reasonable assumptions. All other simulated prevailing interest rates changes modeled indicate a level of sensitivity of the Bank's net interest income to those changes that is acceptable to management and within established Bank policy limits as of both dates shown.

	Impact on net interest income	
	As of March 31, 2020	As of December 31, 2019
Change in prevailing rates:		
+ 400 basis points	(4.37)%	(1.99)%
+ 300 basis points	(2.90)%	(0.97)%
+ 200 basis points	(2.06)%	(0.14)%
+ 100 basis points	(1.18)%	0.05%
+ 0 basis points	-	-
- 100 basis points	0.87%	(0.39)%
- 200 basis points	0.97%	(4.24)%
- 300 basis points	1.01%	(4.40)%
- 400 basis points	0.93%	(4.88)%

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including our Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of May 12, 2020, we are a defendant in legal proceedings. Based upon a review by legal counsel and the development of these matters to date, management is of the opinion that the ultimate aggregate liability, if any, will not have a material adverse effect on the Company's financial position or results of operations.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 that could materially affect the Company's business, financial condition or future results. The risks described in the Company's Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

The risk factors in our annual report on Form 10-K for the year ended December 31, 2019 should be reviewed, especially in the context of the risk factors set forth below.

The current COVID-19 pandemic could result in negative effects on our financial condition and results of operations.

As a result of the COVID-19 pandemic, we have instituted procedures, consistent with federal, state and local government guidelines, to institute social distancing among employees and customers, limit the ability of customers to enter our facilities except with appointment, and encourage employees to work from home when possible. We believe these measures have been undertaken to date with minimal negative effects on our operations and have been well received by employees and customers. We believe our daily operations and services to customers have not been materially interrupted in an adverse way, but we cannot be certain of the long-term effects of such procedures.

Because of the potential negative effects of the COVID-19 pandemic on the economy, including rising unemployment and closings of non-essential businesses during the pandemic, we may experience an adverse effect on our loans.

Rising unemployment, the closing, even if temporary, of non-essential businesses, and the overall negative effect on the economy could result in the inability of some of our customers to meet their loan obligations to our Bank. Loan modifications and payment deferrals provide our borrowers with temporary relief, but such relief may be insufficient, depending on the length and severity of the COVID-19 pandemic and its effects on the economy. In addition to loan deferrals and modifications, we are participating in certain government programs designed to bolster the economy during the pandemic, such as the PPP, which is intended to fund borrowers' payrolls and certain operating expenses, not to support existing borrowers' loans. Our customers' participation in other government programs also may stabilize their cash flows during a short to medium term pandemic, but may not prevent significant loan delinquencies and losses. In addition, we have loans which are not covered by any government guarantee protection program. Thus, we could experience various impairments of such loans, including a delay in payments of principal and interest, the inability of borrowers to pay the loans in full, the loss in value of collateral securing such loans, and the inability to sell such collateral at a reasonable price if the collateral is taken in foreclosure. All of the foregoing could have adverse consequences on our income and eventually on our capital.

Although we are participating in certain government programs to assist customers and borrowers, we may nevertheless incur long-term adverse results.

We have received requests from our borrowers for loan and lease deferrals and modifications including the deferral of principal payments or the deferral of principal and interest payments for terms generally 90-180 days. Requests are evaluated individually and approved modifications are based on the unique circumstances of each borrower. We are committed to working with our clients to allow time to work through the challenges of this pandemic. In keeping with guidance from regulators, we are also working with COVID -19 affected customers to waive fees from a variety of sources, such as but not limited to, insufficient funds and overdraft fees, ATM fees, account maintenance fees, etc. These reductions in fees are thought, at this time, to be temporary in conjunction with the length of the expected COVID-19 related economic crises. We are unable to project the materiality of such an impact, but recognize the breadth of the economic impact is likely to impact our fee income in future periods. Thus, it is uncertain what future impact these measures related to COVID-19 difficulties will have on our financial condition, results of operations and reserve for loan and lease losses.

Our operations could be adversely affected as a result of difficulties incurred by our third-party vendors.

Our Bank relies upon its third-party vendors to conduct business and to process, record, and monitor transactions. If any of these vendors are unable to continue to provide the Bank with these services, it could negatively impact our ability to serve our customers.

As a participating lender in the U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”), River Financial and River Bank are subject to additional risks of litigation from the Bank’s customers or other parties regarding the Bank’s processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guaranties

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which included a \$349 billion loan program administered through the SBA referred to as the PPP. Under the PPP, small businesses and other entities and individuals can apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. The Bank is participating as a lender in the PPP. The PPP opened on April 3, 2020; however, because of the short timeframe between the passing of the CARES Act and the opening of the PPP, there is ambiguity in the laws, rules and guidance regarding the operation of the PPP, which exposes us to risks relating to noncompliance with the PPP. On or about April 16, 2020, the SBA notified lenders that the \$349 billion earmarked for the PPP was exhausted. On April 24, 2020, President Trump signed legislation providing additional funding for the PPP. Since the opening of the PPP, several other larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP. River Financial and River Bank may be exposed to the risk of similar litigation, from both customers and non-customers that approached the Bank regarding PPP loans, regarding its process and procedures used in processing applications for the PPP. If any such litigation is filed against us and is not resolved in a favorable manner, it may result in significant financial liability or adversely affect our reputation. In addition, litigation can be costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by PPP related litigation could have a material adverse effect on our business, financial condition and results of operations. The Bank also has credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by the Bank, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by the Company, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from the Bank.

A continuation of the pandemic could have longer-term and unforeseen results.

A continuation of the COVID-19 pandemic, or a resurgence of the pandemic even if the current outbreak is significantly reduced, could have longer adverse effects on our capital, income and relationships with customers. There could be longer term effects which are unforeseen at the present time.

The COVID-19 pandemic could adversely affect our growth plans.

The pandemic’s effect on the economy could deter our growth plans. We have always planned upon and anticipated solid growth organically, including the opening of new branches when opportunities arise along with the development of further business opportunities where we currently have branches. In addition, we have grown by making select acquisitions of other banks, and we have planned to be alert for future acquisition opportunities. The COVID-19 pandemic, its adverse effects on the economy, both short-term and long-term, and uncertainty by the public in general of the stability of the economy could hinder such growth plans.

The COVID-19 pandemic could adversely affect us in other areas where we may be uncertain of the effects.

In addition to the risks noted above, and the general risk factors noted in our Form 10-K for the fiscal year ended December 31, 2019, the COVID-19 pandemic could affect us in a number of other areas of our operations with consequences at the present time of which we cannot be certain. These include: the general economic stability of our geographic markets; a change in demand for financial products in general; fewer financial resources that are generally available to small and medium size business; changes in government monetary policy; interest rate fluctuations; the need for additional increases in our allowance for loan and lease losses; a reduction in values set forth in appraisals that provide back-up for loans; stress on our liquidity caused by a reduction in deposits as customers need additional cash for their own liquidity needs; increased cyber and payment fraud risk; and increased oversight on our internal controls and procedures to ensure that we are taking necessary steps to manage any increased risks associated with the COVID-19 pandemic.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

Item 6. Exhibits.

Exhibit Number	Description
2.1*	Agreement and Plan of Merger by and among River Financial Corporation, RFC Acquisition Corporation, and PSB Bancshares, Inc, dated as of July 10, 2018, filed as Exhibit 2.1 to River Financial Corporation's Form 8-K filed July 16, 2018, incorporated herein by reference.
2.2*	Agreement and Plan of Merger by and between River Financial Corporation and Trinity Bancorp, Inc., dated as of June 4, 2019, filed as Exhibit 2.1 to River Financial Corporation's Form 8-K filed June 5, 2019, incorporated herein by reference.
3.1	Articles of Incorporation of River Financial Corporation, as amended, included as Exhibit 3.1 in the River Financial Corporation Form 10-Q filed May 7, 2019 and incorporated herein by reference.
3.2	Bylaws of River Financial Corporation, as amended, included as Exhibit 3.2 in the River Financial Corporation 10-K filed March 28, 2016 and incorporated herein by reference.
3.3	Amendments to bylaws of River Financial Corporation dated October 16, 2019, included as Exhibit 3.3 in the River Financial Corporation 10-Q filed November 5, 2019 and incorporated herein by reference.
4.1	Article IV and Article V of the Articles of Incorporation, as amended, filed at Exhibit 3.1 to the Registrants' Form 10-Q filed May 7, 2019, and Article II and Article VI of the bylaws, as amended, included as Exhibit 3.2 of the Registrants' Form 10-K filed March 28, 2016, and incorporated herein by reference.
10.1	River Financial 2006 Stock Compensation Plan filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.2	River Financial Change in Control Agreement for Jimmy Stubbs filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.3	River Financial Change in Control Agreement for Kenneth H. Givens filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.4	River Financial Change in Control Agreement for Joel K. Winslett filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.5	River Financial Change in Control Agreement for Ray Smith filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.6	River Financial Change in Control Agreement for Boles Pegues filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.7	River Financial Employment Term Sheet for Ray Smith filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.8	River Financial Employment Term Sheet for Boles Pegues filed as Exhibit 10.8 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.9	River Bank & Trust Form of Warrant Agreement, assumed by River Financial filed as Exhibit 10.9 to the Registrant's Registration statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.10	River Financial 2015 Incentive Stock Compensation Plan filed as Annex E to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.11	Loan Agreement between River Financial Corporation and CenterState Bank filed as Exhibit 10.1 to the Registrant's Form 8-K/A filed November 2, 2018 and incorporated herein by reference.

Exhibit Number	Description
31.1**	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2**	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32 **	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Schedules omitted. Registrant agrees to furnish a copy of any omitted schedule to the SEC upon request.
**	Filed herewith.

Index to Exhibits

The following is an index of exhibits including items incorporated by reference:

Exhibit Number	Description
2.1*	Agreement and Plan of Merger by and among River Financial Corporation, RFC Acquisition Corporation, and PSB Bancshares, Inc., dated as of July 10, 2018, filed as Exhibit 2.1 to River Financial Corporation's Form 8-K filed July 16, 2018, incorporated herein by reference.
2.2*	Agreement and Plan of Merger by and between River Financial Corporation and Trinity Bancorp, Inc., dated as of June 4, 2019, filed as Exhibit 2.1 to River Financial Corporation's Form 8-K filed June 5, 2019, incorporated herein by reference.
3.1	Articles of Incorporation of River Financial Corporation, as amended, included as Exhibit 3.1 in the River Financial Corporation Form 10-Q filed May 7, 2019 and incorporated herein by reference.
3.2	Bylaws of River Financial Corporation, as amended, included as Exhibit 3.2 in the River Financial Corporation 10-K filed March 28, 2016 and incorporated herein by reference.
3.3	Amendments to bylaws of River Financial Corporation dated October 16, 2019, included as Exhibit 3.3 in the River Financial Corporation 10-Q filed November 5, 2019 and incorporated herein by reference.
4.1	Article IV and Article V of the Articles of Incorporation, as amended, filed at Exhibit 3.1 to the Registrants' Form 10-Q filed May 7, 2019, and Article II and Article VI of the bylaws, as amended, included as Exhibit 3.2 of the Registrants' Form 10-K filed March 28, 2016, and incorporated herein by reference.
10.1	River Financial 2006 Stock Compensation Plan filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.2	River Financial Change in Control Agreement for Jimmy Stubbs filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.3	River Financial Change in Control Agreement for Kenneth H. Givens filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
10.4	River Financial Change in Control Agreement for Joel K. Winslett filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-4, registration no. 333-205986 filed on July 31, 2015 and incorporated herein by reference.
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* Schedules omitted. Registrant agrees to furnish a copy of any omitted schedule to the SEC upon request.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RIVER FTNANCIAL CORPORATION

Date: May 12, 2020

By: /s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)

Date: May 12, 2020

By: /s/ Kenneth H. Givens
Kenneth H. Givens
Chief Financial Officer

CERTIFICATION

I, James M. Stubbs, certify that:

1. I have reviewed this report on Form 10-Q of River Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this period report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

RIVER FINANCIAL CORPORATION

May 12, 2020

/s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Kenneth H. Givens, certify that:

1. I have reviewed this report on Form 10-Q of River Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this period report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

RIVER FINANCIAL CORPORATION

May 12, 2020

/s/ Kenneth H. Givens
Kenneth H. Givens
Chief Financial Officer

CERTIFICATIONS OF CEO AND CFO PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

CERTIFICATES PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of River Financial Corporation, an Alabama corporation (the “Company”), on Form 10-Q for the period ending March 31, 2020 as filed with the Securities and Exchange Commission (the “Report”), each of James M. Stubbs, Chief Executive Officer of the Company and Kenneth H. Givens, Chief Financial Officer of the Company, do hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

RIVER FINANCIAL CORPORATION

/s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)
Date: May 12, 2020

RIVER FINANCIAL CORPORATION

/s/ Kenneth H. Givens
Kenneth H. Givens
Chief Financial Officer
(principal financial officer and accounting officer)
Date: May 12, 2020

A signed original of this written statement required by Section 906 has been provided to River Financial Corporation and will be retained by River Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.