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 June 30, 2022

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)**

(334) 290-1012

"Registrant's telephone number, including area code"

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, a 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	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth 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. ☐

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 August 1, 2022, the registrant had 6,659,258 shares of common stock, $1.00 par value per share, outstanding.

Auditor Firm Id:	669	Auditor Name:	Mauldin & Jenkins, LLC	Auditor Location:	Birmingham, Alabama, USA

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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 referred to 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;
- Competition from other financial services companies in our markets could adversely affect operations; and
- 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 referred to 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)

	June 30, 2022 Unaudited	December 31, 2021 Audited
Assets		
Cash and due from banks	$ 28,758	$ 15,756
Interest-bearing deposits in banks	24,789	36,706
Federal funds sold	-	9,500
Cash and cash equivalents	53,547	61,962
Certificates of deposit in banks	2,914	3,412
Securities held-to-maturity, at amortized cost	137,635	50,182
Securities available-for-sale, at fair value	701,949	876,759
Loans held for sale	8,938	15,501
Loans, net of unearned income and discounts	1,454,484	1,266,665
Less allowance for loan losses	(21,777)	(20,922)
Net loans	1,432,707	1,245,743
Premises and equipment, net	38,655	36,702
Accrued interest receivable	7,101	7,031
Bank owned life insurance	45,771	45,161
Foreclosed assets	529	256
Deferred income taxes, net	25,946	6,253
Core deposit intangible	2,525	2,985
Goodwill	27,817	27,817
Restricted equity securities	2,398	1,482
Other assets	12,968	14,434
Total assets	$ 2,501,400	$ 2,395,680
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$ 665,435	$ 610,002
Interest-bearing deposits	1,620,428	1,541,175
Total deposits	2,285,863	2,151,177
Securities sold under agreements to repurchase	7,663	9,754
Federal Home Loan Bank advances	20,000	-
Subordinated debentures, net of loan costs	39,381	39,344
Accrued interest payable and other liabilities	12,411	12,727
Total liabilities	2,365,318	2,213,002
Common stock related to 401(k) Employee Stock Ownership Plan	3,638	3,116
Stockholders' Equity		
Common stock ($1 par value; 10,000,000 shares authorized; 6,659,285 and 6,570,385 shares issued; 6,659,258 and 6,568,285 shares outstanding, respectively)	6,659	6,570
Additional paid-in capital	104,056	101,583
Retained earnings	88,159	75,815
Accumulated other comprehensive loss	(60,875)	(1,222)
Unvested restricted stock	(1,916)	-
Treasury stock at cost (27 and 2,100 shares, respectively)	(1)	(68)
Common stock related to 401(k) Employee Stock Ownership Plan	(3,638)	(3,116)
Total stockholders' equity	132,444	179,562
Total equity	136,082	182,678
Total liabilities and stockholders' equity	$ 2,501,400	$ 2,395,680

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: June 30, 2022	For the Three Months Ended: June 30, 2021	For the Six Months Ended: June 30, 2022	For the Six Months Ended: June 30, 2021
Interest income:				
Loans, including fees	$ 16,839	$ 15,476	$ 32,310	$ 31,029
Taxable securities	3,399	1,663	6,572	3,026
Nontaxable securities	425	534	927	1,070
Federal funds sold	-	7	2	14
Other interest income	60	32	85	61
Total interest income	20,723	17,712	39,896	35,200
Interest expense:				
Deposits	773	1,039	1,588	2,158
Short-term borrowings	7	2	11	5
Federal Home Loan Bank advances	41	-	41	-
Subordinated debentures	418	423	837	529
Note payable	-	-	-	242
Total interest expense	1,239	1,464	2,477	2,934
Net interest income	19,484	16,248	37,419	32,266
Provision for loan losses	930	1,185	930	2,371
Net interest income after provision for loan losses	18,554	15,063	36,489	29,895
Noninterest income:				
Service charges and fees	1,731	1,444	3,334	2,786
Investment brokerage revenue	260	62	403	125
Mortgage operations	1,402	1,560	3,301	3,408
Bank owned life insurance income	307	274	610	543
Net (loss) gain on sales of investment securities	(678)	-	(1,266)	7
Other noninterest income	276	85	423	216
Total noninterest income	3,298	3,425	6,805	7,085
Noninterest expense:				
Salaries and employee benefits	7,483	6,649	14,490	12,564
Occupancy expenses	645	604	1,290	1,178
Equipment rentals, depreciation, and maintenance	363	289	679	564
Telephone and communications	125	136	211	313
Advertising and business development	225	176	376	312
Data processing	873	765	1,722	1,429
Foreclosed assets, net	(40)	45	(42)	86
Federal deposit insurance and other regulatory assessments	289	256	654	549
Legal and other professional services	296	344	607	623
Other operating expenses	1,897	1,519	3,571	2,959
Total noninterest expense	12,156	10,783	23,558	20,577
Income before income taxes	9,696	7,705	19,736	16,403
Provision for income taxes	2,188	1,677	4,474	3,588
Net income	$ 7,508	$ 6,028	$ 15,262	$ 12,815
Basic net earnings per common share	$ 1.13	$ 0.92	$ 2.30	$ 1.96
Diluted net earnings per common share	$ 1.11	$ 0.91	$ 2.27	$ 1.94
Dividends per common share	$ -	$ -	$ 0.44	$ 0.40

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

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

	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Net income	$ 7,508	$ 6,028	$ 15,262	$ 12,815
Other comprehensive (loss) income, net of tax:				
Investment securities available-for-sale:				
Net unrealized (losses) gains	(40,107)	246	(80,920)	(6,141)
Income tax effect	10,070	(61)	20,319	1,543
Reclassification adjustments for net losses (gains) realized in net income	678	-	1,266	(7)
Income tax effect	(170)	-	(318)	2
Other comprehensive (loss) income, net of tax	(29,529)	185	(59,653)	(4,603)
Comprehensive (loss) income	$ (22,021)	$ 6,213	$ (44,391)	$ 8,212

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 Comprehensiv e Loss	Unvested Restricted Stock	Treasury Stock	Common Stock Related to ESOP	Total Stockholders ' Equity
Balance at December 31, 2021	$ 6,570	$ 101,583	$ 75,815	$ (1,222)	$ -	$ (68)	$ (3,116)	$ 179,562
Net income	-	-	15,262	-	-	-	-	15,262
Other comprehensive loss, net of tax	-	-	-	(59,653)	-	-	-	(59,653)
Exercise of stock options (23,150 shares)	23	398	-	-	-	-	-	421
Purchase of treasury stock (17,305 shares)	-	-	-	-	-	(619)	-	(619)
Restricted stock grants (65,750 shares)	66	2,009	-	-	(2,075)	-	-	-
Sale of treasury shares (19,378 shares)	-	(9)	-	-	-	686	-	677
Dividends declared ($0.44 per share)	-	-	(2,918)	-	-	-	-	(2,918)
Stock-based compensation expense	-	75	-	-	159	-	-	234
Change for ESOP related shares	-	-	-	-		-	(522)	(522)
Balance at June 30, 2022	$ 6,659	$ 104,056	$ 88,159	$ (60,875)	$ (1,916)	$ (1)	$ (3,638)	$ 132,444

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

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

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Cash Flows From Operating Activities:		
Net Income	$ 15,262	$ 12,815
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	930	2,371
Provision for losses on foreclosed assets	-	60
Amortization of securities	2,231	3,617
Accretion of securities	(261)	(83)
Realized net loss (gain) on securities available-for-sale	1,266	(7)
Accretion of discount on acquired loans	(6)	(50)
Accretion of deferred loan fees / costs	(1,881)	(1,452)
Amortization of core deposit intangible asset	460	558
Amortization of debt issuance costs	37	-
Stock-based compensation expense	234	92
Bank owned life insurance income	(610)	(543)
Depreciation and amortization of premises and equipment	857	732
Gain on sales of foreclosed assets	(80)	(10)
Deferred income tax expense (benefit)	308	(1,070)
(Increase) decrease in operating assets and (decrease) increase in operating liabilities:		
Loans held-for-sale	6,563	6,823
Accrued interest receivable	(70)	97
Other assets	1,466	(1,566)
Accrued interest payable and other liabilities	(316)	751
Net cash from operating activities	26,390	23,135
Cash Flows Used For Investing Activities:		
Maturity of certificate of deposit	498	495
Activity in securities available-for-sale:		
Sales of securities available-for-sale	154,392	4,383
Maturities, payments, calls of securities available-for-sale	42,212	64,570
Purchases of securities available-for-sale	(182,601)	(365,717)
Activity in securities held-to-maturity:		
Maturities, payments, calls of securities held-to-maturity	3,228	-
Purchases of securities held-to-maturity	(12,764)	-
Loan principal originations, net	(186,644)	(40,380)
Proceeds from sale of foreclosed assets	444	141
Purchases of premises and equipment	(2,810)	(2,697)
(Purchase) sale of restricted equity securities, net	(916)	295
Purchase of bank owned life insurance	-	(11,000)
Net cash used for investing activities	(184,961)	(349,910)
Cash Flows From Financing Activities:		
Net increase in deposits	134,686	338,378
Net decrease in securities sold under agreements to repurchase	(2,091)	(3,167)
Proceeds from Federal Home Loan Bank advances	30,000	-
Repayment of Federal Home Loan Bank advances	(10,000)	-
Proceeds from issuance of subordinated debt, net of loan costs	-	39,316
Repayment of note payable	-	(20,392)
Proceeds from exercise of common stock options and warrants	421	137
Purchase of treasury stock	(619)	(440)
Sale of treasury stock	677	1,181
Cash dividends	(2,918)	(2,612)
Net cash from financing activities	150,156	352,401
Net Change In Cash And Cash Equivalents	(8,415)	25,626
Cash and Cash Equivalents At Beginning Of Period	61,962	60,268
Cash and Cash Equivalents At End Of Period	$ 53,547	$ 85,894
Supplemental Disclosures Of Cash Flows Information:		
Cash Payments For:		
Interest paid to depositors	$ 1,632	$ 2,224
Interest paid on borrowings	$ 412	$ 461
Income taxes	$ 820	$ 5,630
Non-cash investing and financing activities:		
Transfer of loans to foreclosed assets	$ 637	$ 625
Transfer of securities from available-for-sale to held-to-maturity	$ 78,047	$ -

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, Jefferson, Lee, Madison, Mobile, Morgan and Tallapoosa counties and surrounding counties in 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, 2021, which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

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 – Reclassifications

Certain prior period amounts have been reclassified to conform to the presentation used in 2022. These reclassifications had no material effect on the operations, financial condition or cash flows of the Company.

Note 3 – 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 (ESOP) 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 June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net earnings available to common shareholders	$ 7,508	$ 6,028	$ 15,262	$ 12,815
Weighted average common shares outstanding	6,631,472	6,531,352	6,628,484	6,525,581
Dilutive effect of stock options	107,901	77,364	99,890	71,437
Diluted common shares	6,739,373	6,608,716	6,728,374	6,597,018
Basic earnings per common share	$ 1.13	$ 0.92	$ 2.30	$ 1.96
Diluted earnings per common share	$ 1.11	$ 0.91	$ 2.27	$ 1.94

Note 4 – Investment Securities

The following tables summarize the amortized cost and fair value of securities available-for-sale and securities held-to-maturity and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive loss at June 30, 2022 and December 31, 2021 (amounts in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2022:				
Securities available-for-sale:				
Residential mortgage-backed	$ 462,947	$ -	$ (51,950)	$ 410,997
U.S. treasury securities	146,133	-	(12,570)	133,563
U.S. govt. sponsored enterprises	73,957	26	(4,538)	69,445
State, county, and municipal	82,262	7	(10,992)	71,277
Corporate debt obligations	17,906	24	(1,263)	16,667
Total available-for-sale	$ 783,205	$ 57	$ (81,313)	$ 701,949

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2022:				
Securities held-to-maturity:				
Residential mortgage-backed	$ 74,716	$ -	$ (12,281)	$ 62,435
State, county, and municipal	62,919	-	(11,645)	51,274
Total held-to-maturity	$ 137,635	$ -	$ (23,926)	$ 113,709

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021:				
Securities available-for-sale:				
Residential mortgage-backed	$ 562,109	$ 1,512	$ (6,063)	$ 557,558
U.S. treasury securities	151,331	-	(1,803)	149,528
U.S. govt. sponsored enterprises	54,005	555	(65)	54,495
State, county, and municipal	94,976	4,405	(127)	99,254
Corporate debt obligations	15,942	49	(67)	15,924
Total available-for-sale	$ 878,363	$ 6,521	$ (8,125)	$ 876,759

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021:				
Securities held-to-maturity:				
State, county, and municipal	$ 50,182	$ 139	$ (156)	$ 50,165
Total held-to-maturity	$ 50,182	$ 139	$ (156)	$ 50,165

The Company reassessed classification of certain investments and effective February 2022 the Company transferred $78 million of residential mortgage-backed securities from available-for-sale to held-to-maturity. The transfer occurred at fair value. The related unrealized loss included in accumulated other comprehensive income remained in accumulated other comprehensive income, to be amortized out of accumulated other comprehensive income with an offsetting entry to interest income as a yield adjustment through earnings over the remaining term of the securities. No gain or loss was recorded at the time of transfer.

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.

The following tables summarize securities with unrealized and unrecognized losses as of June 30, 2022 and December 31, 2021 aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position (amounts in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2022:						
Securities available-for-sale:						
Residential mortgage-backed	$ 383,097	$ 47,566	$ 27,900	$ 4,384	$ 410,997	$ 51,950
U.S. treasury securities	133,563	12,570	-	-	133,563	12,570
U.S. govt. sponsored enterprises	58,853	4,538	-	-	58,853	4,538
State, county & municipal	65,335	10,329	2,608	663	67,943	10,992
Corporate debt obligations	13,738	1,236	473	27	14,211	1,263
Total available-for-sale	$ 654,586	$ 76,239	$ 30,981	$ 5,074	$ 685,567	$ 81,313
Securities held-to-maturity:						
Residential mortgage-backed	$ 8,381	$ 1,367	$ 54,054	$ 10,914	$ 62,435	$ 12,281
State, county & municipal	45,929	11,645	-	-	45,929	11,645
Total held-to-maturity	$ 54,310	$ 13,012	$ 54,054	$ 10,914	$ 108,364	$ 23,926
December 31, 2021:						
Securities available-for-sale:						
Residential mortgage-backed	$ 442,210	$ 5,075	$ 33,032	$ 988	$ 475,242	$ 6,063
U.S. treasury securities	149,528	1,803	-	-	149,528	1,803
U.S. govt. sponsored enterprises	27,377	65	-	-	27,377	65
State, county & municipal	6,775	110	618	17	7,393	127
Corporate debt obligations	9,948	67	-	-	9,948	67
Total available-for-sale	$ 635,838	$ 7,120	$ 33,650	$ 1,005	$ 669,488	$ 8,125
Securities held-to-maturity:						
State, county & municipal	$ 17,775	$ 156	$ -	$ -	$ 17,775	$ 156
Total held-to-maturity	$ 17,775	$ 156	$ -	$ -	$ 17,775	$ 156

As of June 30, 2022, 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 six months ended June 30, 2022 or 2021. The Company owned a total of 334 securities with unrealized losses of $105.2 million at June 30, 2022. As of June 30, 2022 and December 31, 2021, securities with a carrying value of approximately $220.8 million and $205.3 million, respectively, were pledged to secure public deposits as required by law. At June 30, 2022 and December 31, 2021, the carrying value of securities pledged to secure repurchase agreements was approximately $14.9 million and $17.9 million, respectively.

During the six months ended June 30, 2022, the Company sold investment securities for proceeds of $154.4 million and realized losses of $1.3 million. During the six months ended June 30, 2021, the Company sold investment securities for proceeds of $4.4 million and realized gains of $7 thousand.

The amortized cost and estimated fair value of debt securities at June 30, 2022 and December 31, 2021, 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.

	June 30, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Securities available-for-sale				
Less than 1 year	$ 1,135	$ 1,137	$ 11,573	$ 11,682
1 to 5 years	146,430	134,246	158,678	157,799
5 to 10 years	88,144	81,233	70,856	70,959
After 10 years	84,549	74,336	75,147	78,761
	320,258	290,952	316,254	319,201
Residential mortgage-backed securities	462,947	410,997	562,109	557,558
Total available-for-sale	$ 783,205	$ 701,949	$ 878,363	$ 876,759

	June 30, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Securities held-to-maturity				
5 to 10 years	$ 5,150	$ 4,359	$ 1,132	$ 1,132
After 10 years	57,769	46,915	49,050	49,033
	62,919	51,274	50,182	50,165
Residential mortgage-backed securities	74,716	62,435	-	-
Total held-to-maturity	$ 137,635	$ 113,709	$ 50,182	$ 50,165

Note 5 – Loans, Allowance for Loan Losses and Credit Quality

Major classifications of loans at June 30, 2022 and December 31, 2021 are summarized as follows (amounts in thousands):

	June 30, 2022		December 31, 2021	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 408,551	28.5%	$ 317,754	25.5%
Closed-end 1-4 family - junior lien	6,867	0.5%	5,434	0.4%
Multi-family	7,957	0.6%	9,981	0.8%
Total residential real estate	423,375	29.6%	333,169	26.7%
Commercial real estate:				
Nonfarm nonresidential	397,341	27.7%	350,373	28.1%
Farmland	45,357	3.2%	38,808	3.1%
Total commercial real estate	442,698	30.9%	389,181	31.2%
Construction and land development:				
Residential	115,995	8.1%	90,924	7.3%
Other	125,089	8.7%	105,192	8.4%
Total construction and land development	241,084	16.8%	196,116	15.7%
Home equity lines of credit	53,167	3.7%	49,569	4.0%
Commercial loans:				
Other commercial loans	181,086	12.6%	201,922	16.2%
Agricultural	39,991	2.8%	36,063	2.9%
State, county, and municipal loans	33,268	2.3%	23,939	2.0%
Total commercial loans	254,345	17.7%	261,924	21.1%
Consumer loans	45,161	3.2%	43,080	3.5%
Total gross loans	1,459,830	101.9%	1,273,039	102.2%
Allowance for loan losses	(21,777)	-1.5%	(20,922)	-1.7%
Net discounts	(331)	0.0%	(400)	0.0%
Net deferred loan fees	(5,015)	-0.4%	(5,974)	-0.5%
Net loans	$ 1,432,707	100.0%	$ 1,245,743	100.0%

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 through 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 through 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 states 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 by 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 tables present the balance in the allowance for loan losses by portfolio segment. It also includes 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). The 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						
Allowance for Loan Losses	Residential	Commercial	Construction and Land Development	Home Equity Lines Of Credit	Commercial	Consumer	Total
Balance - December 31, 2021	$ 2,596	$ 8,038	$ 2,992	$ 396	$ 6,486	$ 414	$ 20,922
Provision (credit) for loan losses	1,062	265	361	66	(824)	-	930
Loan charge-offs	(42)	-	-	-	(148)	-	(190)
Loan recoveries	-	63	5	-	34	13	115
Balance - June 30, 2022	$ 3,616	$ 8,366	$ 3,358	$ 462	$ 5,548	$ 427	$ 21,777
Ending balance:							
Individually evaluated for impairment	$ 8	$ 244	$ 2	$ -	$ 43	$ 48	$ 345
Collectively evaluated for impairment	3,608	8,122	3,356	462	5,505	379	21,432
Total	$ 3,616	$ 8,366	$ 3,358	$ 462	$ 5,548	$ 427	$ 21,777
Loans:							
Individually evaluated for impairment	$ 779	$ 5,261	$ -	$ 103	$ 257	$ 48	$ 6,448
Collectively evaluated for impairment	422,586	437,437	241,078	53,064	254,088	45,113	1,453,366
Acquired loans with deteriorated credit quality	10	-	6	-	-	-	16
Total	$ 423,375	$ 442,698	$ 241,084	$ 53,167	$ 254,345	$ 45,161	$ 1,459,830

Allowance for Loan Losses	Real Estate Mortgage Loans Residential	Commercial	Construction and Land Development	Home Equity Lines Of Credit	Commercial	Consumer	Total
Balance - December 31, 2020	$ 1,676	$ 6,807	$ 1,749	$ 268	$ 5,897	$ 406	$ 16,803
Provision (credit) for loan losses	340	1,350	347	39	328	(33)	2,371
Loan charge-offs	(101)	(177)	-	-	(84)	(29)	(391)
Loan recoveries	-	35	4	-	65	26	130
Balance - June 30, 2021	$ 1,915	$ 8,015	$ 2,100	$ 307	$ 6,206	$ 370	$ 18,913
Ending balance:							
Individually evaluated for impairment	$ 63	$ -	$ -	$ -	$ 189	$ 71	$ 323
Collectively evaluated for impairment	1,852	8,015	2,100	307	6,017	299	18,590
Total	$ 1,915	$ 8,015	$ 2,100	$ 307	$ 6,206	$ 370	$ 18,913
Loans:							
Individually evaluated for impairment	$ 773	$ 2,650	$ -	$ 301	$ 286	$ 71	$ 4,081
Collectively evaluated for impairment	285,163	383,690	164,184	43,878	312,829	41,994	1,231,738
Acquired loans with deteriorated credit quality	224	138	15	-	-	4	381
Total	$ 286,160	$ 386,478	$ 164,199	$ 44,179	$ 313,115	$ 42,069	$ 1,236,200

The Bank individually evaluates for impairment all loans that are on nonaccrual status. Additionally, all troubled debt restructurings are individually evaluated for impairment. 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. Impaired loans are generally placed on nonaccrual status and therefore 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, provided 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 including the deferral of principal payments or the deferral of principal and interest payments for terms generally around 90-180 days. Requests are evaluated individually and approved modifications are based on the unique circumstances of each borrower. In total, the Bank placed approximately $167 million of loans on a loan deferral plan as part of COVID-19 modifications. As of June 30, 2022, approximately $321 thousand of these loans remain on deferral. 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 risk ratings for these loans are evaluated regularly and evaluated for impairment if deemed necessary.

The following table presents impaired loans by class of loans as of June 30, 2022 (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.

Nonaccruing Impaired Loans	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:					
Residential real estate	$ 334	$ 334	$ 334	$ -	$ -
Commercial real estate	635	635	400	235	244
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	969	969	734	235	244
Home equity lines of credit	103	103	103	-	-
Commercial loans	-	-	-	-	-
Consumer loans	-	-	-	-	-
Total Loans	$ 1,072	$ 1,072	$ 837	$ 235	$ 244

Accruing Impaired Loans	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:					
Residential real estate	$ 445	$ 445	$ 389	$ 56	$ 8
Commercial real estate	4,626	4,626	4,626	-	-
Construction and land development	-	-	-	-	2
Total mortgage loans on real estate	5,071	5,071	5,015	56	10
Home equity lines of credit	-	-	-	-	-
Commercial loans	257	257	215	42	43
Consumer loans	48	48	-	48	48
Total Loans	$ 5,376	$ 5,376	$ 5,230	$ 146	$ 101

Total Impaired Loans	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:					
Residential real estate	$ 779	$ 779	$ 723	$ 56	$ 8
Commercial real estate	5,261	5,261	5,026	235	244
Construction and land development	-	-	-	-	2
Total mortgage loans on real estate	6,040	6,040	5,749	291	254
Home equity lines of credit	103	103	103	-	-
Commercial loans	257	257	215	42	43
Consumer loans	48	48	-	48	48
Total Loans	$ 6,448	$ 6,448	$ 6,067	$ 381	$ 345

The following table presents impaired loans by class of loans as of December 31, 2021 (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.

Nonaccruing Impaired Loans	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:					
Residential real estate	$ 707	$ 707	$ 609	$ 98	$ 54
Commercial real estate	885	885	885	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	1,592	1,592	1,494	98	54
Home equity lines of credit	201	201	201	-	-
Commercial loans	-	-	-	-	-
Consumer loans	65	65	-	65	64
Total Loans	$ 1,858	$ 1,858	$ 1,695	$ 163	$ 118

Accruing Impaired Loans	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:					
Residential real estate	$ 290	$ 290	$ -	$ 290	$ 32
Commercial real estate	5,040	5,040	5,040	-	-
Construction and land development	469	469	61	408	104
Total mortgage loans on real estate	5,799	5,799	5,101	698	136
Home equity lines of credit	102	102	102	-	-
Commercial loans	345	345	231	114	116
Consumer loans	54	54	-	54	54
Total Loans	$ 6,300	$ 6,300	$ 5,434	$ 866	$ 306

Total Impaired Loans	Unpaid Principal Balance	Recorded Investment	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:					
Residential real estate	$ 997	$ 997	$ 609	$ 388	$ 86
Commercial real estate	5,925	5,925	5,925	-	-
Construction and land development	469	469	61	408	104
Total mortgage loans on real estate	7,391	7,391	6,595	796	190
Home equity lines of credit	303	303	303	-	-
Commercial loans	345	345	231	114	116
Consumer loans	119	119	-	119	118
Total Loans	$ 8,158	$ 8,158	$ 7,129	$ 1,029	$ 424

The following table presents the average recorded investment in impaired loans and the interest income recognized on impaired loans in the six months ended June 30, 2022 and 2021 by loan category (amounts in thousands).

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	Average Recorded Investment	Ending Recorded Investment	Interest Income	Average Recorded Investment	Ending Recorded Investment	Interest Income
Mortgage loans on real estate:						
Residential real estate	$ 1,234	$ 779	$ 16	$ 843	$ 773	$ 6
Commercial real estate	5,655	5,261	259	2,786	2,650	46
Construction and land development	292	-	8	233	-	-
Total mortgage loans on real estate	7,181	6,040	283	3,862	3,423	52
Home equity lines of credit	169	103	-	372	301	4
Commercial loans	291	257	8	291	286	4
Consumer loans	91	48	2	77	71	-
Total Loans	$ 7,732	$ 6,448	$ 293	$ 4,602	$ 4,081	$ 60

The following tables present the aging of loans and non-accrual loans as of June 30, 2022 and December 31, 2021, by class of loans (amounts in thousands).

	Accruing Loans				
As of June 30, 2022	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual Loans	Total Loans
Mortgage loans on real estate:					
Residential real estate	$ 422,187	$ 533	$ -	$ 655	$ 423,375
Commercial real estate	442,063	-	-	635	442,698
Construction and land development	240,705	369	-	10	241,084
Total mortgage loans on real estate	1,104,955	902	-	1,300	1,107,157
Home equity lines of credit	52,905	94	-	168	53,167
Commercial loans	253,875	470	-	-	254,345
Consumer loans	44,585	557	-	19	45,161
Total Loans	$ 1,456,320	$ 2,023	$ -	$ 1,487	$ 1,459,830

	Accruing Loans				
As of December 31, 2021	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual Loans	Total Loans
Mortgage loans on real estate:					
Residential real estate	$ 330,718	$ 1,439	$ -	$ 1,012	$ 333,169
Commercial real estate	387,103	1,193	-	885	389,181
Construction and land development	195,778	327	-	11	196,116
Total mortgage loans on real estate	913,599	2,959	-	1,908	918,466
Home equity lines of credit	49,229	88	-	252	49,569
Commercial loans	261,620	304	-	-	261,924
Consumer loans	42,767	201	-	112	43,080
Total Loans	$ 1,267,215	$ 3,552	$ -	$ 2,272	$ 1,273,039

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 June 30, 2022 and December 31, 2021, 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 June 30, 2022	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential real estate	$ 419,087	$ 2,873	$ 1,415	$ -	$ 423,375
Commercial real estate	432,053	5,226	5,419	-	442,698
Construction and land development	240,944	114	26	-	241,084
Total mortgage loans on real estate	1,092,084	8,213	6,860	-	1,107,157
Home equity lines of credit	52,862	80	225	-	53,167
Commercial loans	246,448	7,635	262	-	254,345
Consumer loans	44,644	294	223	-	45,161
Total Loans	$ 1,436,038	$ 16,222	$ 7,570	$ -	$ 1,459,830

As of December 31, 2021	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential real estate	$ 328,342	$ 3,171	$ 1,656	$ -	$ 333,169
Commercial real estate	374,152	8,967	6,062	-	389,181
Construction and land development	194,310	1,306	500	-	196,116
Total mortgage loans on real estate	896,804	13,444	8,218	-	918,466
Home equity lines of credit	49,158	-	411	-	49,569
Commercial loans	251,450	10,119	355	-	261,924
Consumer loans	42,665	169	246	-	43,080
Total Loans	$ 1,240,077	$ 23,732	$ 9,230	$ -	$ 1,273,039

Note 6 – 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, foreclosed assets, and repossessed 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.

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

Investment Securities – 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, prepayment 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 include 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 June 30, 2022 and December 31, 2021, 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 the fair value is based on an appraised value or management's estimate of value, the Company records the foreclosed asset as nonrecurring Level 3.

Deposits – 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.

Subordinated debentures – For disclosure purposes, the fair value is estimated using a discounted cash flow calculation that applies interest rates currently being offered for similar subordinated debenture offerings.

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 June 30, 2022 and December 31, 2021 is as follows: (amounts in thousands)

	Fair Value Measurements At Reporting Date Using:			
June 30, 2022	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Residential mortgage -backed	$ 410,997	$ -	$ 410,997	$ -
U.S. treasury securities	133,563	-	133,563	-
U.S. government sponsored enterprises	69,445	-	69,445	-
State, county, and municipal	71,277	-	71,277	-
Corporate debt obligations	16,667	-	16,667	-
Totals	$ 701,949	$ -	$ 701,949	$ -

	Fair Value Measurements At Reporting Date Using:			
December 31, 2021	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Residential mortgage -backed	$ 557,558	$ -	$ 557,558	$ -
U.S. treasury securities	149,528	-	149,528	-
U.S. government sponsored enterprises	54,495	-	54,495	-
State, county, and municipal	99,254	-	99,254	-
Corporate debt obligations	15,924	-	15,924	-
Totals	$ 876,759	$ -	$ 876,759	$ -

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. GAAP. 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 June 30, 2022 and December 31, 2021 (amounts in thousands):

		Fair Value Measurements At Reporting Date Using:		
June 30, 2022	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	$ 6,103	$ -	$ -	$ 6,103
Foreclosed assets	529	-	-	529
Totals	$ 6,632	$ -	$ -	$ 6,632

December 31, 2021	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	$ 7,734	$ -	$ -	$ 7,734
Foreclosed assets	256	-	-	256
Totals	$ 7,990	$ -	$ -	$ 7,990

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. For Level 3 assets measured at fair value on a non-recurring basis as of June 30, 2022 and December 31, 2021 for the valuation technique, we used appraisals. For the significant unobservable input, we used appraisal discounts, and weighted average input of 15-20% was used for the period ended June 30, 2022 and December 31, 2021.

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments as of June 30, 2022 and December 31, 2021 are as follows (amounts in thousands):

		Estimated Fair Value		
June 30, 2022	Carrying Amount	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 53,547	$ 53,547	$ -	$ -
Certificates of deposit in banks	2,914	-	2,914	-
Securities held-to-maturity	137,635	-	113,709	-
Securities available-for-sale	701,949	-	701,949	-
Loans held-for-sale	8,938	-	8,938	-
Loans receivable	1,432,707	-	1,392,376	6,103
Accrued interest receivable	7,101	-	7,101	-
Bank owned life insurance	45,771	-	45,771	-
Restricted equity securities	2,398	-	-	2,398
Financial liabilities:				
Deposits	2,285,863	-	2,129,003	-
Securities sold under agreements to repurchase	7,663	-	7,663	-
Federal Home Loan Bank advances	20,000	-	19,992	-
Subordinated debentures	39,381	-	35,946	-
Accrued interest payable	556	-	556	-

		Estimated Fair Value		
December 31, 2021	Carrying Amount	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 61,962	$ 61,962	$ -	$ -
Certificates of deposit in banks	3,412	-	3,412	-
Securities held-to-maturity	50,182	-	50,165	-
Securities available-for-sale	876,759	-	876,759	-
Loans held-for-sale	15,501	-	15,501	-
Loans receivable	1,245,743	-	1,239,996	7,734
Accrued interest receivable	7,031	-	7,031	-
Bank owned life insurance	45,161	-	45,161	-
Restricted equity securities	1,482	-	-	1,482
Financial liabilities:				
Deposits	2,151,177	-	2,087,357	-
Securities sold under agreements to repurchase	9,754	-	9,754	-
Subordinated debentures	39,344	-	40,900	-
Accrued interest payable	600	-	600	-

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 as of June 30, 2022 and December 31, 2021.

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 7 – Recently Issued Accounting Pronouncements

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.

Note 8 – Defined Contribution Plan

The Company provides a 401(k) employee stock ownership plan (ESOP), 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 $20.5 thousand and $19.5 thousand of the participant's annual compensation in 2022 and 2021, 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 the Company were approximately $371 thousand and $300 thousand for the six months ended June 30, 2022 and 2021, respectively. Outstanding shares of the Company's common stock allocated to participants at June 30, 2022 and December 31, 2021 totaled 144,535 and 130,149 shares respectively, 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 ESOP includes a put option for shares of the Company's common stock distributed from the ESOP. Shares are distributed from the ESOP 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 ESOP. The first put option period is within sixty days following the distribution of the shares from the ESOP. 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 June 30, 2022 and December 31, 2021. The cost of the ESOP shares totaled $3.64 million and $3.64 million as of June 30, 2022 and December 31, 2021, respectively. Due to the Company's obligation under the put option, the distributed shares and ESOP shares are classified as temporary equity in the mezzanine section of the consolidated statements of financial condition and totaled $3.64 million and $3.64 million as of June 30, 2022 and December 31, 2021, respectively. The fair value of the ESOP shares totaled $5.06 million and $4.72 million as of June 30, 2022 and December 31, 2021, respectively.

Note 9 – Loans Held for Sale

The Company has entered into agreements with secondary market investors to deliver loans on a "best efforts delivery" basis. When a rate is committed to a borrower, it is based on the best price that day and locked with the investor for the customer for a thirty day period. In the event the loan is not delivered to the investor, the Company has no risk or exposure with the investor. The fair values of the Company's agreements with investors and rate lock commitments to customers as of June 30, 2022 and December 31, 2021, respectively, were not material.

Note 10 – 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 2036. 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 Company elected to use the optional transition method, which allowed for a modified retrospective method of adoption with an immaterial cumulative effect adjustment to retained earnings without restating comparable periods. The Company also elected the relief package of practical expedients for which there is no requirement to reassess existence of leases, their classification, and initial direct costs. The Company also applied the exemption for short-term leases with a term of less than one year and therefore we do not recognize a lease liability or right-of-use asset on the balance sheet but instead recognize lease payments as an expense over the lease term as appropriate.

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	June 30, 2022	December 31, 2021
Operating lease right-of-use assets	Other Assets	$ 3,536	$ 3,337

Lease Liabilities	Classification on Consolidated Statement of Condition	June 30, 2022	December 31, 2021
Operating lease liabilities	Accrued interest payable and other liabilities	$ 3,652	$ 3,424

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.

	June 30, 2022	December 31, 2021
Weighted-average remaining lease term for operating leases	10.31 Years	10.62 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 June 30, 2022 are as follows:

	Operating Leases
July 1, 2022 - June 30, 2023	$ 577
July 1, 2023 - June 30, 2024	620
July 1, 2024 - June 30, 2025	497
July 1, 2025 - June 30, 2026	495
July 1, 2026 - June 30, 2027	426
Afterward	2,382
Total future minimum lease payments	4,997
Amounts representing interest	(1,345)
Present value of net future minimum lease payments	$ 3,652

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, 2021, which are contained in the Annual Report on Form 10-K for the year ended December 31, 2021. 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 2021 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 continue to assess 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 remotely, and we believe such steps have been welcomed by, and helpful to, our employees.

2. Currently, our lobbies at our main office and branches and public areas are open to walk-in business and other in-person visits by customers. As long as our social distancing policies are being complied with, customers may, among other things, have in-person meetings at our facilities and access to their safe deposit boxes. We have installed plexiglass in lobby areas for employees that have regular contact with customers and masks are available for both employees and customers as needed.

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 and minimized unnecessary contact or exposure. 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 unsecured low interest rate loans to small businesses that have been impacted by the COVID-19 pandemic. The PPP loans are 100% guaranteed by the SBA. The loans have a fixed interest rate of 1% and payments of interest and principal are deferred until the earlier of the date the SBA remits the forgiveness amount to the lender, the forgiveness application is denied, or if no forgiveness application is filed, ten months from the end of the covered period. If originated before June 5, 2020, loans mature two years from origination, and if origination occurred on or after June 5, 2020, loans mature five 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 a certain time 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. On December 27, 2020, legislation was enacted that renewed the PPP and allocated additional appropriations for both new first-time PPP loans under the existing PPP and second-draw PPP loans for certain eligible borrowers that had previously received a PPP loan. As of June 30, 2022, the Bank has approximately 305 PPP loans in the aggregate amount of approximately $12.4 million outstanding. At December 31, 2021, the Bank had approximately 2,520 PPP loans in the aggregate amount of approximately $141.7 million outstanding.

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 June 30, 2022, we operated twenty full-service banking offices in Alabama in the cities of Montgomery, Prattville, Millbrook, Wetumpka, Auburn, Opelika, Gadsden, Alexander City, Daphne, Clanton, Dothan, Enterprise, Mobile, Decatur, and Huntsville, Alabama. We also have two offices approved for full-service banking operations in Birmingham and Saraland, 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 Second Quarter 2022 Results

Net income was $7.5 million in the quarter ended June 30, 2022, compared with $6.0 million in the quarter ended June 30, 2021. Several significant measures from the 2022 second quarter include:

- Net interest margin (taxable equivalent) of 3.34%, compared with 3.33% for the second quarter of 2021.
- Net interest income increase of $3.3 million for the quarter ended June 30, 2022, representing a 19.92% rate of increase over the quarter ended June 30, 2021.
- Annualized return on average earning assets for the quarter ended June 30, 2022 of 1.27% compared with 1.22% for the quarter ended June 30, 2021.
- Annualized return on average equity for the quarter ended June 30, 2022 of 20.56% compared with 14.14% for the quarter ended June 30, 2021.
- Loan increase of $118.1 million during the quarter ended June 30, 2022, representing a 35.36% annualized growth rate.
- Securities decrease of $65.6 million during the quarter ended June 30, 2022, representing a 28.97% annualized decrease for the quarter.
- Deposit increase of $32.3 million during the quarter ended June 30, 2022, representing a 5.73% annualized growth rate.
- Stockholders' equity decrease of $22.3 million during the quarter ended June 30, 2022 representing a 57.63% annualized decrease.

- Book value per share of $20.44 at June 30, 2022, compared with $27.81 per share at December 31, 2021.
- Tangible book value per share of $15.88 at June 30, 2022, compared with $23.12 at December 31, 2021.

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, 2021, 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, 2021, 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 whether 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 and six months ended June 30, 2022 and 2021

The following is a narrative discussion and analysis of significant changes in our results of operations for the three and six months ended June 30, 2022 compared to the three and six months ended June 30, 2021.

Net Income

During the three months ended June 30, 2022, our net income was $7.5 million, compared to $6.0 million for the three months ended June 30, 2021, an increase of $1.5 million, or 24.55%. The primary reason for the increase in net income for the second quarter of 2022 as compared to the second quarter of 2021 was an increase in net interest income. During the three months ended June 30, 2022, net interest income was $19.5 million compared to $16.2 million for the three months ended June 30, 2021, an increase of $3.3 million, or 19.92%. This increase is a result of higher levels of loan and securities volume and other earning assets from organic growth. The provision for loan losses also decreased approximately $255 thousand from the second quarter of 2021 to the second quarter of 2022. The decrease in the provision for loan loss was a result of improving economic conditions as the local economy has improved. Total noninterest income for the second quarter of 2022 was $3.3 million compared to $3.4 million for the quarter ended June 30, 2021. This decrease in noninterest income was primarily the result of the $678 thousand loss on sale of investment securities for the second quarter of 2022. Total noninterest expense in the second quarter of 2022 increased $1.4 million, or 12.73%, from the second quarter of 2021. The most significant increase was an increase of $834 thousand in salaries and employee benefits.

During the six months ended June 30, 2022, our net income was $15.3 million, compared to $12.8 million for the six months ended June 30, 2021, an increase of $2.5 million, or 19.09%. The primary reason for the increase in net income for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 was an increase in net interest income and a decrease in interest expense. During this period in 2022, net interest income was $37.4 million compared to $32.3 million for the same period in 2021, an increase of $5.1 million, or 15.97%. This increase is a result of higher levels of loan and securities volume and other earning assets from organic growth. The provision for loan losses also decreased approximately $1.4 million from the second quarter of 2021 to the second quarter of 2022. The decrease in the provision for loan loss was a result of improving economic conditions as the local economy has improved. Total noninterest income for the first six months of 2022 was $6.8 million compared to $7.1 million in the first six months of 2021. This decrease was primarily the result of the $1.3 million loss on sale of investment securities for the six months ended June 30, 2022 as compared to the $7 thousand gain on sale of investment securities for the six months ended June 30, 2021. Total noninterest expense in the first six months of 2022 increased $3.0 million, or 14.49%, from the first six months of 2021. The most significant increase was an increase of $1.9 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 our 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 June 30, 2022 and 2021

The following table shows, for the three months ended June 30, 2022 and 2021, 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 June 30, 2022			Three Months Ended June 30, 2021		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$ 1,386,522	$ 16,793	4.86%	$ 1,219,256	$ 15,425	5.07%
Mortgage loans held for sale	12,372	104	3.36%	21,654	110	2.02%
Investment securities:						
Taxable securities	862,231	3,399	1.58%	579,588	1,663	1.15%
Tax-exempt securities	78,708	543	2.76%	89,162	683	3.07%
Interest bearing balances in other banks	24,180	60	0.99%	62,201	32	0.22%
Federal funds sold	-	-	0.00%	11,501	7	0.25%
Total interest earning assets	$ 2,364,013	$ 20,899	3.55%	$ 1,983,362	$ 17,920	3.62%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 537,029	$ 107	0.08%	$ 440,410	$ 82	0.07%
Savings and money market accounts	815,461	391	0.19%	621,493	380	0.25%
Time deposits	244,844	275	0.45%	287,051	577	0.83%
Short-term debt	10,734	7	0.23%	11,173	2	0.10%
Subordinated debt	40,000	418	4.20%	39,984	423	4.25%
Note payable	-	-	0.00%	-	-	0.00%
Total interest bearing liabilities	$ 1,664,552	$ 1,239	0.30%	$ 1,400,111	$ 1,464	0.42%
Noninterest-bearing funding of earning assets	699,461	-	0.00%	583,251	-	0.00%
Total cost of funding earning assets	$ 2,364,013	$ 1,239	0.21%	$ 1,983,362	$ 1,464	0.30%
Net interest rate spread			3.25%			3.20%
Net interest income/margin (taxable equivalent)		$ 19,660	3.34%		$ 16,456	3.33%
Tax equivalent adjustment		(176)			(208)	
Net interest income/margin		$ 19,484	3.31%		$ 16,248	3.28%

The following table reflects, for the three months ended June 30, 2022 and 2021, 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 June 30, 2022 vs. Three Months Ended June 30, 2021		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 2,094	$ (726)	$ 1,368
Mortgage loans held for sale	(47)	41	(6)
Investment securities:			
Taxable securities	812	924	1,736
Tax-exempt securities	(79)	(61)	(140)
Interest bearing balances in other banks	(18)	46	28
Federal funds sold	(7)	-	(7)
Total interest earning assets	$ 2,755	$ 224	$ 2,979
Interest bearing liabilities			
Interest bearing transaction accounts	$ 17	$ 8	$ 25
Savings and money market accounts	121	(110)	11
Time deposits	(72)	(230)	(302)
Short-term debt	1	4	5
Subordinated debentures	-	(5)	(5)
Total interest bearing liabilities	$ 67	$ (292)	$ (225)
Net interest income			
Net interest income (taxable equivalent)	$ 2,688	$ 516	$ 3,204
Taxable equivalent adjustment	12	20	32
Net interest income	$ 2,700	$ 536	$ 3,236

Total interest income for the three months ended June 30, 2022 was $20.7 million and total interest expense was $1.2 million, resulting in net interest income of $19.5 million for the period. For the same period of 2021, total interest income was $17.7 million and total interest expense was $1.5 million, resulting in net interest income of $16.2 million for the period. This represents a 19.92% increase in net interest income when comparing the same period from 2022 and 2021. When comparing the variances related to interest income for the three months ended June 30, 2022 and 2021, the increase was primarily attributed to increases in average volumes in loans and investment securities. The volume related increase in interest income for the three months ended June 30, 2022 was accompanied by a decrease in the yield on loans and an increase in the yields on investment securities. When comparing variances related to interest expense for the three months ended June 30, 2022 and 2021, the decrease primarily resulted from a decrease in deposit rates continuing into 2021 and 2022. This decrease was partially offset by an increase in the average volume of non-maturity deposits.

Comparison of net interest income for the six months ended June 30, 2022 and 2021

The following table shows, for the six months ended June 30, 2022 and 2021, 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.

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$1,337,917	$ 32,206	4.85%	$1,203,169	$ 30,919	5.18%
Mortgage loans held for sale	13,879	209	3.04%	22,322	222	2.01%
Investment securities:						
Taxable securities	856,302	6,572	1.55%	513,883	3,026	1.19%
Tax-exempt securities	83,669	1,177	2.84%	88,986	1,360	3.08%
Interest bearing balances in other banks	28,421	85	0.60%	55,157	61	0.22%
Federal funds sold	2,780	2	0.15%	11,500	14	0.25%
Total interest earning assets	$2,322,968	$ 40,251	3.50%	$1,895,017	$ 35,602	3.80%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 532,198	$ 211	0.08%	$ 418,141	$ 176	0.08%
Savings and money market accounts	794,413	758	0.19%	600,535	733	0.25%
Time deposits	256,139	619	0.49%	282,536	1,249	0.89%
Securities sold under repurchase agreements	10,376	11	0.21%	11,218	5	0.09%
Federal Home Loan Bank advances	8,287	41	1.00%	-	-	0.00%
Subordinated debentures	40,000	837	4.22%	22,865	529	4.67%
Note payable	-	-	0.00%	9,338	242	5.23%
Total interest bearing liabilities	$1,641,413	$ 2,477	0.30%	$1,344,633	$ 2,934	0.44%
Noninterest-bearing funding of earning assets	681,555	-	0.00%	550,384	-	0.00%
Total cost of funding earning assets	$2,322,968	$ 2,477	0.22%	$1,895,017	$ 2,934	0.31%
Net interest rate spread			3.20%			3.36%
Net interest income/margin (taxable equivalent)		$ 37,774	3.28%		$ 32,668	3.48%
Tax equivalent adjustment		(355)			(402)	
Net interest income/margin		$ 37,419	3.25%		$ 32,266	3.43%

The following table reflects, for the six months ended June 30, 2022 and 2021, 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.

	Six Months Ended June 30, 2022 vs. Six Months Ended June 30, 2021		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 3,476	$ (2,189)	$ 1,287
Mortgage loans held for sale	(85)	72	(13)
Investment securities:			
Taxable securities	2,017	1,529	3,546
Tax-exempt securities	(79)	(104)	(183)
Interest bearing balances in other banks	(28)	52	24
Federal funds sold	(8)	(4)	(12)
Total interest earning assets	$ 5,293	$ (644)	$ 4,649
Interest bearing liabilities			
Interest bearing transaction accounts	$ 52	$ (17)	$ 35
Savings and money market accounts	241	(216)	25
Time deposits	(118)	(512)	(630)
Short-term debt	-	6	6
Federal Home Loan Bank advances	-	41	41
Subordinated debentures	393	(85)	308
Note payable	(242)	-	(242)
Total interest bearing liabilities	$ 326	$ (783)	$ (457)
Net interest income			
Net interest income (taxable equivalent)	$ 4,967	$ 139	$ 5,106
Taxable equivalent adjustment	16	31	47
Net interest income	$ 4,983	$ 170	$ 5,153

Total interest income for the six months ended June 30, 2022 was $39.9 million and total interest expense was $2.5 million, resulting in net interest income of $37.4 million for the period. For the same period of 2021, total interest income was $35.2 million and total interest expense was $2.9 million, resulting in net interest income of $32.3 million for the period. This represents a 15.97% increase in net interest income when comparing the same period from 2022 and 2021. When comparing the variances related to interest income for the six months ended June 30, 2022 and 2021, the increase was primarily attributed to increases in average volumes in loans and investment securities as well as from the recognition of origination fee income from the SBA Paycheck Protection Program. The volume related increase in interest income for the period was partially offset by a decrease in the yield on loans. When comparing variances related to interest expense for the six months ended June 30, 2022 and 2021, the decrease resulted primarily from a decrease in deposits rates. The decrease in deposit rates was partially offset by an increase in the average volume of non-maturity deposits and subordinated debentures.

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 June 30, 2022, management recorded a provision of $930 thousand in the second quarter of 2022 compared to a provision of $1.2 million in the second quarter of 2021. The decrease in provision allocated was primarily due to continued improvement in economic conditions as the country recovers from the COVID-19 pandemic.

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 June 30, 2022, the recorded allowance related to impaired loans was $345 thousand. As of June 30, 2021, the recorded allowance related to impaired loans was $323 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 June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Service charges and fees	$ 1,731	$ 1,444	$ 3,334	$ 2,786
Investment brokerage revenue	260	62	403	125
Mortgage operations	1,402	1,560	3,301	3,408
Bank owned life insurance income	307	274	610	543
Net (loss) gain on sales of investment securities	(678)	-	(1,266)	7
Other noninterest income	276	85	423	216
Total noninterest income	$ 3,298	$ 3,425	$ 6,805	$ 7,085

Noninterest income for the three months ended June 30, 2022 was $3.3 million compared to $3.4 million for the same period in 2021. The most significant increase was a $287 thousand increase in service charges and fees which was primarily a result of deposit growth while the most significant decrease was a $678 thousand loss on the sale of investment securities.

Noninterest income for the six months ended June 30, 2022 was $6.8 million compared to $7.1 million for the same period of 2021. The most significant increase was a $548 thousand increase in service charges and fees while the most significant decrease was a $1.3 million loss on the sale of investment securities.

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 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 June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Salaries and employee benefits	$ 7,483	$ 6,649	$ 14,490	$ 12,564
Occupancy expenses	645	604	1,290	1,178
Equipment rentals, depreciation, and maintenance	363	289	679	564
Telephone and communications	125	136	211	313
Advertising and business development	225	176	376	312
Data processing	873	765	1,722	1,429
Foreclosed assets, net	(40)	45	(42)	86
Federal deposit insurance and other regulatory assessments	289	256	654	549
Legal and other professional services	296	344	607	623
Other operating expense	1,897	1,519	3,571	2,959
Total noninterest expense	$ 12,156	$ 10,783	$ 23,558	$ 20,577

Noninterest expense for the three months ended June 30, 2022 totaled $12.2 million compared with $10.8 million for the same period of 2021. The overall increase was primarily a result of increases in salaries and employee benefits. Salaries and employee benefits increased $834 thousand, or 12.54%, to $7.5 million in the second quarter of 2022 from $6.6 million in the second quarter of 2021. The number of full-time equivalent employees increased from approximately 252 at June 30, 2021 to approximately 290 at June 30, 2022 for an increase of approximately 15.08%.

Noninterest expense for the six months ended June 30, 2022 totaled $23.6 million compared with $20.6 million for the same period of 2021. The increase was primarily a result of increases in salaries and employee benefits expense. Salaries and employee benefits increased $1.9 million, or 15.33%, to $14.5 million in the first six months of 2022 from $12.6 million in the first six months of 2021.

Provision for Income Taxes

We recognized income tax expense of $2.2 million for the three months ended June 30, 2022, compared to $1.7 million for the three months ended June 30, 2021. The effective tax rate for the three months ended June 30, 2022 was 22.6% compared to 21.8% for the same period in 2021. 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.

We recognized income tax expense of $4.5 million for the six months ended June 30, 2022, compared to $3.6 million for the six months ended June 30, 2021. The increase of approximately $886 thousand, or 24.69%, resulted from the increase in net income before taxes of $3.3 million in the first six months of 2022 as compared to the first six months of 2021. The effective tax rate for the six months ended June 30, 2022 was 22.7% compared to 21.9% for the same period in 2021. 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 June 30, 2022 and December 31, 2021

Overview

Our total assets increased $105.7 million, or 4.41%, from December 31, 2021 to June 30, 2022. Loans, net of deferred fees and discounts, increased $187.8 million, or 14.83%, from December 31, 2021 to June 30, 2022. Securities available-for-sale decreased by $174.8 million, or 19.94%, and securities held-to-maturity increased by $87.5 million, or 174.27%, from December 31, 2021 to June 30, 2022, respectively. Cash and cash equivalents decreased $8.4 million, or 13.58% from December 31, 2021 to June 30, 2022. Total deposits increased $134.7 million, or 6.26%, from December 31, 2021 to June 30, 2022 which funded a majority of our loan growth. Total stockholders' equity decreased $47.2 million, or -26.24% from December 31, 2021 to June 30, 2022 primarily due to the change in accumulated other comprehensive loss of $59.7 million during the period..

Investment Securities

We use our securities portfolio primarily to enhance our overall yield on interest-earning assets and as a source of liquidity, as a tool to manage our balance sheet sensitivity and regulatory capital ratios, and as a base upon 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, they are used to meet current cash needs, or they are reinvested to maintain our desired liquidity position. We have designated the majority of 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. In certain cases, we have designated securities as held-to-maturity to protect capital from changes in the value of the securities portfolio. Securities available-for-sale are reported at fair value with unrealized gains or losses reported as a separate component of other comprehensive loss, net of related deferred taxes while securities held-to-maturity are reported at amortized cost. Purchase premiums and discounts are recognized in income using the interest method over the terms of the securities.

During the six months ended June 30, 2022, we purchased investment securities totaling $195.4 million and sold investment securities with proceeds received of $154.4 million including net realized losses of $1.3 million.

The following tables summarize the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of debt securities at June 30, 2022 and December 31, 2021 (amounts in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2022:				
Securities available-for-sale:				
Residential mortgage-backed	$ 462,947	$ -	$ (51,950)	$ 410,997
U.S. treasury securities	146,133	-	(12,570)	133,563
U.S. govt. sponsored enterprises	73,957	26	(4,538)	69,445
State, county, and municipal	82,262	7	(10,992)	71,277
Corporate debt obligations	17,906	24	(1,263)	16,667
Total available-for-sale	$ 783,205	$ 57	$ (81,313)	$ 701,949

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2022:				
Securities held-to-maturity:				
Residential mortgage-backed	$ 74,716	$ -	$ (12,281)	$ 62,435
State, county, and municipal	62,919	-	(11,645)	51,274
Total held-to-maturity	$ 137,635	$ -	$ (23,926)	$ 113,709

December 31, 2021:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
Residential mortgage-backed	$ 562,109	$ 1,512	$ (6,063)	$ 557,558
U.S. treasury securities	151,331	-	(1,803)	149,528
U.S. govt. sponsored enterprises	54,005	555	(65)	54,495
State, county, and municipal	94,976	4,405	(127)	99,254
Corporate debt obligations	15,942	49	(67)	15,924
Total available-for-sale	$ 878,363	$ 6,521	$ (8,125)	$ 876,759

December 31, 2021:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held-to-maturity:				
State, county, and municipal	$ 50,182	$ 139	$ (156)	$ 50,165
Total held-to-maturity	$ 50,182	$ 139	$ (156)	$ 50,165

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 $1.39 billion during the three months ended June 30, 2022, or 58.7% of average interest earning assets, as compared to $1.22 billion, or 61.5% of average interest earning assets, for the three months ended June 30, 2021. At June 30, 2022, total loans, net of deferred loan fees and discounts, were $1.45 billion, compared to $1.27 billion at December 31, 2021, an increase of $187.8 million, or 14.83%.

The organic, or non-acquired, growth in our loan portfolio is attributable both to our ability to attract new customers and to our ability to benefit from the overall growth in our markets. We seek to build relationships with new customers, maintain and even improve our relationships with existing customers, and encourage our bankers to be involved in their communities. We expect our bankers to recognize business development efforts and to maintain healthy relationships with clients, and our philosophy is to be responsive to customer needs by providing decisions in a timely manner. In addition to our business development efforts, many of the markets that we serve have shown signs of economic recovery over the last few years.

The following table provides a summary of the loan portfolio as of June 30, 2022, and December 31, 2021.

	June 30, 2022		December 31, 2021	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 408,551	28.5%	$ 317,754	25.5%
Closed-end 1-4 family - junior lien	6,867	0.5%	5,434	0.4%
Multi-family	7,957	0.6%	9,981	0.8%
Total residential real estate	423,375	29.6%	333,169	26.7%
Commercial real estate:				
Nonfarm nonresidential	397,341	27.7%	350,373	28.1%
Farmland	45,357	3.2%	38,808	3.1%
Total commercial real estate	442,698	30.9%	389,181	31.2%
Construction and land development:				
Residential	115,995	8.1%	90,924	7.3%
Other	125,089	8.7%	105,192	8.4%
Total construction and land development	241,084	16.8%	196,116	15.7%
Home equity lines of credit	53,167	3.7%	49,569	4.0%
Commercial loans:				
Other commercial loans	181,086	12.6%	201,922	16.2%
Agricultural	39,991	2.8%	36,063	2.9%
State, county, and municipal loans	33,268	2.3%	23,939	2.0%
Total commercial loans	254,345	17.7%	261,924	21.1%
Consumer loans	45,161	3.2%	43,080	3.5%
Total gross loans	1,459,830	101.9%	1,273,039	102.2%
Allowance for loan losses	(21,777)	-1.5%	(20,922)	-1.7%
Net discounts	(331)	0.0%	(400)	0.0%
Net deferred loan fees	(5,015)	-0.4%	(5,974)	-0.5%
Net loans	$ 1,432,707	100.0%	$ 1,245,743	100.0%

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 June 30, 2022, this category totaled $1.1 billion, or 75.84% of total gross loans, compared to $918.5 million, or 72.15%, at December 31, 2021. Real estate loans increased $188.7 million, or 20.54%, during the period December 31, 2021 to June 30, 2022. Commercial loans decreased $7.6 million, or 2.89% 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 recently 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 to 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 allow 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.

The repayment of loans is a source of additional liquidity for us. The following table sets forth our variable rate and fixed rate loans maturing within specific intervals at June 30, 2022.

LOAN MATURITY AND SENSITIVITY TO CHANGES IN INTEREST RATES

Variable Rate Loans:	One year or less	Over one year through five years	Over five years through fifteen years	Over fifteen years	Total
Residential real estate:					
Closed-end 1-4 family - first lien	$ 2,469	$ 354	$ 5,375	$ 147,949	$ 156,147
Closed-end 1-4 family - junior lien	389	12	-	296	697
Multi-family	237	262	307	-	806
Total residential real estate	3,095	628	5,682	148,245	157,650
Commercial real estate:					
Nonfarm nonresidential	6,626	4,293	1,742	687	13,348
Farmland	1,750	3,055	-	-	4,805
Total commercial real estate	8,376	7,348	1,742	687	18,153
Construction and land development:					
Residential	29,115	375	376	15,057	44,923
Other	10,065	5,817	4,017	382	20,281
Total construction and land development	39,180	6,192	4,393	15,439	65,204
Home equity lines of credit	4,545	2,957	43,818	64	51,384
Commercial loans:					
Other commercial loans	41,835	12,059	8,985	-	62,879
Agricultural	29,001	28	-	-	29,029
State, county, and municipal loans	-	-	-	-	-
Total commercial loans	70,836	12,087	8,985	-	91,908
Consumer loans	1,118	1,293	70	-	2,481
Total gross variable rate loans	$ 127,150	$ 30,505	$ 64,690	$ 164,435	$ 386,780

Fixed Rate Loans:	One year or less	Over one year through five years	Over five years through fifteen years	Over fifteen years	Total
Residential real estate:					
Closed-end 1-4 family - first lien	$ 16,080	$ 97,476	$ 67,436	$ 71,412	$ 252,404
Closed-end 1-4 family - junior lien	782	3,148	1,656	584	6,170
Multi-family	191	1,770	4,787	403	7,151
Total residential real estate	17,053	102,394	73,879	72,399	265,725
Commercial real estate:					
Nonfarm nonresidential	25,841	153,981	198,854	5,317	383,993
Farmland	2,354	19,913	18,214	71	40,552
Total commercial real estate	28,195	173,894	217,068	5,388	424,545
Construction and land development:					
Residential	67,165	1,482	1,881	544	71,072
Other	13,136	45,206	45,533	933	104,808
Total construction and land development	80,301	46,688	47,414	1,477	175,880
Home equity lines of credit	198	885	700	-	1,783
Commercial loans:					
Other commercial loans	10,092	88,340	19,775	-	118,207
Agricultural	1,371	8,663	928	-	10,962
State, county, and municipal loans	2,304	5,880	20,104	4,980	33,268
Total commercial loans	13,767	102,883	40,807	4,980	162,437
Consumer loans	4,037	23,793	14,709	141	42,680
Total fixed rate gross loans	$ 143,551	$ 450,537	$ 394,577	$ 84,385	$ 1,073,050

Total Loans:	One year or less	Over one year through five years	Over five years through fifteen years	Over fifteen years	Total
Residential real estate:					
Closed-end 1-4 family - first lien	$ 18,549	$ 97,830	$ 72,811	$ 219,361	$ 408,551
Closed-end 1-4 family - junior lien	1,171	3,160	1,656	880	6,867
Multi-family	428	2,032	5,094	403	7,957
Total residential real estate	20,148	103,022	79,561	220,644	423,375
Commercial real estate:					
Nonfarm nonresidential	32,467	158,274	200,596	6,004	397,341
Farmland	4,104	22,968	18,214	71	45,357
Total commercial real estate	36,571	181,242	218,810	6,075	442,698
Construction and land development:					
Residential	96,280	1,857	2,257	15,601	115,995
Other	23,201	51,023	49,550	1,315	125,089
Total construction and land development	119,481	52,880	51,807	16,916	241,084
Home equity lines of credit	4,743	3,842	44,518	64	53,167
Commercial loans:					
Other commercial loans	51,927	100,399	28,760	-	181,086
Agricultural	30,372	8,691	928	-	39,991
State, county, and municipal loans	2,304	5,880	20,104	4,980	33,268
Total commercial loans	84,603	114,970	49,792	4,980	254,345
Consumer loans	5,155	25,086	14,779	141	45,161
Total gross loans	$ 270,701	$ 481,042	$ 459,267	$ 248,820	$ 1,459,830

The information presented in the table above is based upon the contractual maturities of the individual loans, which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms at their maturity. Consequently, we believe that this treatment presents fairly the maturity structure of the loan portfolio.

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. Although we have not seen any significant changes in credit quality as a result of the pandemic, management has added several significant qualitative adjustments to our allowance for loan loss calculation that are related to the uncertainties of how the pandemic will affect our loan quality. As a result of these qualitative adjustments, our provision for loan losses and the allowance for loan losses increased significantly during pandemic. 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:		As of and for the Six Months Ended:	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Allowance for loan losses at beginning of period	$ 20,894	$ 18,028	$ 20,922	$ 16,803
Charge-offs:				
Mortgage loans on real estate:				
Residential real estate	42	101	42	101
Commercial real estate	-	177	-	177
Construction and land development	-	-	-	-
Total mortgage loans on real estate	42	278	42	278
Home equity lines of credit	-	-	-	-
Commercial	86	44	148	84
Consumer	-	24	-	29
Total	128	346	190	391
Recoveries:				
Mortgage loans on real estate:				
Residential real estate	-	-	-	-
Commercial real estate	58	4	63	35
Construction and land development	1	4	5	4
Total mortgage loans on real estate	59	8	68	39
Home equity lines of credit	-	-	-	-
Commercial	18	27	34	65
Consumer	4	11	13	26
Total	81	46	115	130
Net charge-offs	47	300	75	261
Provision for loan losses	930	1,185	930	2,371
Allowance for loan losses at end of period	$ 21,777	$ 18,913	$ 21,777	$ 18,913
Total loans outstanding, net of deferred loan fees	1,454,484	1,227,578	1,454,484	1,227,578
Average loans outstanding, net of deferred loan fees	1,386,522	1,219,256	1,337,917	1,203,169
Allowance for loan losses to period end loans	1.50%	1.54%	1.50%	1.54%
Net charge-offs to average loans (annualized)	0.01%	0.10%	0.01%	0.04%

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).

	June 30, 2022		December 31, 2021	
	Amount	Percent of Total	Amount	Percent of Total
Mortgage loans on real estate:				
Residential real estate	$ 3,616	16.6%	$ 2,596	12.4%
Commercial real estate	8,366	38.4%	8,038	38.4%
Construction and land development	3,358	15.4%	2,992	14.3%
Total mortgage loans on real estate	15,340	70.4%	13,626	65.1%
Home equity lines of credit	462	2.1%	396	1.9%
Commercial	5,548	25.5%	6,486	31.0%
Consumer	427	2.0%	414	2.0%
Total	$ 21,777	100.0%	$ 20,922	100.0%

Nonperforming Assets

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

	June 30, 2022	June 30, 2021	December 31, 2021
Nonaccrual loans	$ 1,487	$ 2,875	$ 2,272
Accruing loans past due 90 days or more	-	101	-
Total nonperforming loans	1,487	2,976	2,272
Foreclosed assets	529	674	256
Total nonperforming assets	$ 2,016	$ 3,650	$ 2,528
Allowance for loan losses to period end loans	1.50%	1.54%	1.65%
Allowance for loan losses to period end nonperforming loans	1464.49%	635.52%	920.86%
Net charge-offs (recoveries) to average loans (annualized)	0.01%	0.04%	0.05%
Nonperforming assets to period end loans and foreclosed property	0.14%	0.30%	0.20%
Nonperforming loans to period end loans	0.10%	0.24%	0.18%
Nonperforming assets to total assets	0.08%	0.16%	0.11%
Period end loans	1,454,484	1,227,578	1,266,665
Period end total assets	2,501,400	2,226,103	2,395,680
Allowance for loan losses	21,777	18,913	20,922
Average loans for the period	1,337,917	1,203,169	1,217,901
Net charge-offs for the period	75	261	625
Period end loans plus foreclosed property	1,455,013	1,228,252	1,266,921

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. In addition to consideration of these factors, loans that are past due 90 days or more are generally placed on nonaccrual status. 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 a loan is on nonaccrual status will generally be applied to the outstanding principal balance. When a problem loan is finally resolved, there may ultimately be an actual write-down or charge-off of the principal balance of the loan that 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 June 30, 2022, and December 31, 2021.

	June 30, 2022		December 31, 2021	
	Amount	Percent of Total	Amount	Percent of Total
Demand deposits, non-interest bearing	$ 665,435	29.1%	$ 610,002	28.4%
Demand deposits, interest bearing	537,810	23.5%	519,547	24.2%
Money market accounts	719,625	31.5%	623,763	29.0%
Savings deposits	126,999	5.6%	117,767	5.5%
Time certificates of $250 thousand or more	83,612	3.7%	106,271	4.9%
Other time certificates	152,382	6.6%	173,827	8.0%
Totals	$ 2,285,863	100.0%	$ 2,151,177	100.0%

Total deposits were $2.29 billion at June 30, 2022, an increase of $134.7 million from December 31, 2021 with the increase resulting mainly in the balances of money market accounts and demand deposit accounts. Some of our demand deposit accounts are seasonal and have expected balance fluctuations. 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 June 30, 2022 (amounts in thousands).

	All Time Deposits	Time Deposits $100 or more	Time Deposits less than $100
Three months or less	$ 60,942	$ 44,110	$ 16,832
Greater than three months through six months	61,374	43,740	17,634
Greater than six months through one year	62,640	41,408	21,232
Greater than one year through three years	35,451	23,813	11,638
Greater than three years	15,587	12,080	3,507
Total	$ 235,994	$ 165,151	$ 70,843

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 June 30, 2022, the FHLB line of credit available was $294.4 million and at December 31, 2021 it was $257.1 million. As of June 30, 2022 and December 31, 2021, we had $20 million and no Federal Home Loan Bank advances outstanding, respectively. We also have lines of credit for federal funds borrowings with other banks that totaled $78.5 million and $48.5 million at June 30, 2022 and December 31, 2021, respectively. Furthermore, we have pledged certain loans to the Federal Reserve Bank (FRB) to secure a line of credit. At June 30, 2022, the FRB line of credit available was $166.1 million and at December 31, 2021, the FRB line of credit available was $144.1 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 August 9, 2021, the Company entered into a line of credit agreement with ServisFirst Bank for $10 million. The line of credit is to be used for general capital needs and investments. The line when drawn will require quarterly payments of interest only, and matures two years from the origination date. The interest rate floats at Wall Street Journal Prime with a floor of 3.25%. The line of credit is secured by 51% of the Company’s stock.

On March 9, 2021, River Financial Corporation ("the Company") entered into a Subordinated Note Purchase Agreement (the "Purchase Agreement") with the purchasers signatory thereto providing for a private placement of $40 million in aggregate principal amount of 4.00% fixed-to-floating rate Subordinated Notes due March 15, 2031 (the "Notes"). The Notes were issued by the Company to the purchasers at a price equal to 100% of their face amount. Interest on the Notes will accrue from March 9, 2021, and the Company will pay interest semi-annually on March 15th and September 15th of each year, beginning on September 15, 2021, until the Notes mature. The Notes will bear interest at a fixed rate of 4.00% per year, from and including March 9, 2021 to, but excluding, March 15, 2026. From and including March 15, 2026, but excluding the maturity date or early redemption date, the interest rate will reset quarterly at a variable rate equal to the then current three-month term SOFR plus 342 basis points. The Notes may not be prepaid by the Company prior to March 15, 2026. From and after March 15, 2026, the Company may prepay all or, from time to time, any part of the Notes at 100% of the principal amount (plus accrued interest) without penalty, subject to any requirement under Federal Reserve Board regulations to obtain prior approval from the Board of Governors of the Federal Reserve System before making any prepayment. The Notes may also be prepaid by the Company at any time after the occurrence of an event that would preclude the Notes from being included in the Tier 2 Capital of the Company. The Purchase Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including the requirement that, subject to certain limitations, the Company restructure any portion of the Notes that ceases to be deemed Tier 2 Capital. The Company used approximately $19.7 million of the net proceeds from the issuance of the Notes to pay off its note with CenterState Bank dated October 31, 2018, including interest accrued on such notes, and the remaining proceeds for general corporate purposes, including providing capital to support the organic growth of its bank subsidiary, River Bank.

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 June 30, 2022 and December 31, 2021, were $53.5 million and $62.0 million, respectively. Based on recorded cash and cash equivalents, management believes River Financial Corporation's liquidity resources were sufficient at June 30, 2022 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 June 30, 2022 and December 31, 2021 were as follows (amounts in thousands):

	June 30, 2022	December 31, 2021
Commitments to extend credit	$ 369,313	$ 328,646
Stand-by and performance letters of credit	3,931	2,426
Total	$ 373,244	$ 331,072

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 June 30, 2022 (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	$ 2,049,869	$ -	$ -	$ -	$ 2,049,869
Certificates of deposit of less than $100	55,698	11,638	3,507	-	70,843
Certificates of deposit of $100 or more	129,258	23,813	12,080	-	165,151
Securities sold under agreements to repurchase	7,663	-	-	-	7,663
Federal Home Loan Bank advances	20,000	-	-	-	20,000
Subordinated debt, net of loan costs	-	-	-	39,381	39,381
Operating leases	629	1,151	921	2,379	5,080
Total contractual obligations	$ 2,263,117	$ 36,602	$ 16,508	$ 41,760	$ 2,357,987

Capital Position and Dividends

At June 30, 2022 and December 31, 2021, total stockholders' equity was $132.4 million and $179.6 million, respectively. The decrease of approximately $47.2 million resulted mainly from the net change in retained earnings and accumulated other comprehensive loss for the six months ended June 30, 2022. Retained earnings for the first six months of 2022 increased $12.3 million and accumulated other comprehensive loss decreased $59.7 million. The ratio of stockholders' equity to total assets was 5.29% and 7.50% at June 30, 2022 and December 31, 2021, respectively.

River Bank 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 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's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

River Bank 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 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 in the regulations), and of Tier 1 capital (as defined in the regulations) to average assets (as defined in the regulations).

Management believes, as of June 30, 2022, 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 June 30, 2022 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 June 30, 2022:

	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)	$ 224,764	13.440%	$ 175,602	>= 10.500%	$ 167,240	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	203,848	12.189%	117,068	>= 7.000%	108,706	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	203,848	12.189%	142,155	>= 8.500%	133,793	>= 8.00%
Tier 1 Capital (To Average Assets)	203,848	8.363%	97,506	>= 4.000%	121,882	>= 5.00%

Management believes, as of December 31, 2021, 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, 2021 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, 2021:

	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)	$ 203,848	14.071%	$ 152,116	>= 10.500%	$ 144,872	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	185,704	12.819%	101,410	>= 7.000%	94,167	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	185,704	12.819%	123,141	>= 8.500%	115,897	>= 8.00%
Tier 1 Capital (To Average Assets)	185,704	8.013%	92,707	>= 4.000%	115,884	>= 5.00%

River Financial Corporation's principal source of funds for dividend payments and debt service is dividends received from River Bank. There are statutory limitations on the payment of dividends by River Bank to River Financial Corporation. As of June 30, 2022, the maximum amount the Bank could dividend to River Financial Corporation without prior regulatory authority approval was approximately $55.9 million. In addition to dividend restrictions, federal statutes prohibit unsecured loans from banks to bank holding companies.

During the six months ending June 30, 2022 there were 13,000 incentive stock options issued with a weighted average exercise price of $31.82 per share. During the same period, there were 23,150 incentive stock options exercised at a weighted average exercise price of $18.24 per share. A total of 337,079 incentive stock options were outstanding as of June 30, 2022 with a weighted average exercise price of $23.56 per share and a weighted average remaining life of 5.74 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 June 30, 2022, 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	$ 258,179	$ 86,708	$ 246,871	$ 205,848	$ 159,424	$ 497,454	$ 1,454,484
Securities	38,324	19,852	47,319	58,120	70,268	605,701	839,584
Certificates of deposit in banks	-	-	495	1,967	-	452	2,914
Cash balances in banks	24,789	-	-	-	-	-	24,789
Total interest earning assets	$ 321,292	$ 106,560	$ 294,685	$ 265,935	$ 229,692	$ 1,103,607	$ 2,321,771
Interest bearing liabilities							
Interest bearing transaction accounts	$ 111,668	$ 8,218	$ 36,984	$ 49,314	$ 49,314	$ 282,312	$ 537,810
Savings and money market accounts	263,468	18,964	85,341	113,792	113,792	251,267	846,624
Time deposits	23,630	38,151	121,466	23,030	12,294	17,423	235,994
Securities sold under agreements to repurchase	7,663	-	-	-	-	-	7,663
Federal Home Loan Bank advances	20,000	-	-	-	-	-	20,000
Subordinated debentures, net of loan costs	-	-	-	-	-	39,381	39,381
Total interest bearing liabilities	$ 426,429	$ 65,333	$ 243,791	$ 186,136	$ 175,400	$ 590,383	$ 1,687,472
Interest sensitive gap							
Period gap	$ (105,137)	$ 41,227	$ 50,894	$ 79,799	$ 54,292	$ 513,224	$ 634,299
Cumulative gap	$ (105,137)	$ (63,910)	$ (13,016)	$ 66,783	$ 121,075	$ 634,299	
Cumulative gap - Rate Sensitive Assets/ Rate Sensitive Liabilities	-4.5%	-2.8%	-0.6%	2.9%	5.2%	27.3%	

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 June 30, 2022	As of December 31, 2021
Change in prevailing rates:		
+ 400 basis points	0.37%	2.18%
+ 300 basis points	0.31%	1.87%
+ 200 basis points	0.25%	1.45%
+ 100 basis points	0.13%	0.75%
+ 0 basis points	-	-
- 100 basis points	(2.88)%	(1.84)%
- 200 basis points	(7.65)%	(2.81)%
- 300 basis points	(9.73)%	(2.87)%
- 400 basis points	(6.90)%	(2.91)%

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

The Company has carried out an evaluation under the supervision and with participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even the effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2022, the Company's disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the six months ended June 30, 2022 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 August 2, 2022, we are a defendant in legal proceedings regarding a breach of contract dispute. 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, 2021 that could materially affect the Company’s business, financial condition or future results as well as those in the Company’s Report on Form 10-Q for the quarter ended June 30, 2022. 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, 2021 should be reviewed, especially in the context of the risk factors set forth below.

Possible Effects of the COVID-19 Pandemic

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, and encourage employees to work from home when possible. A majority of employees are no longer working from home. 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.

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 PPP loan guaranties

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted, which included a loan program administered through the SBA referred to as the PPP. Under the PPP, small businesses and other entities and individuals could apply for unsecured, low-interest rate loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. Borrowers are eligible for up to 100% forgiveness on PPP loans if certain conditions are met. The PPP loans are 100% guaranteed by the SBA. The Bank participated as a lender in the PPP. The PPP opened on April 3, 2020. The PPP was launched by SBA and the US Department of Treasury in an expedient timeframe and because of the short timeframe between the passing of the CARES Act and the opening of the PPP, there was ambiguity in the laws, rules and guidance regarding the operation of the PPP, which exposes us to risks relating to noncompliance with 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 material deficiency in the manner in which the loan was originated, funded, or serviced by the Bank. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a material deficiency in the manner in which the PPP loan was originated, funded, or serviced by the Bank, 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. There is also a risk that not all PPP loans will be forgiven and any unforgiven amount will remain on the Bank's balance sheet preventing such funds from being redeployed into higher-earning assets.

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, 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, 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 effectiveness, or lack thereof, of the current COVID-19 vaccination efforts; 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

In June 2022, the Company sold 14,386 shares of its common stock for a cash total of $521,493 thousand to its employee stock ownership plan. The Company relied upon exemptions from registration under SEC Rule 701 and Rule 147A.

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 (now SouthState Bank) filed as Exhibit 10.1 to the Registrant's Form 8-K/A filed November 2, 2018 and incorporated herein by reference.

10.12	Form of Subordinated Note Purchase Agreement, dated March 9, 2021, between River Financial Corporation and certain accredited investors, included as Exhibit 10.1 in the River Financial Corporation Form 8-K, filed on March 10, 2021 and incorporated herein by reference.
10.13	Loan and Security Agreement, dated August 9, 2021, between River Financial Corporation and ServisFirst Bank, included as Exhibit 10.13 in the River Financial Corporation Form 10-K, filed on March 15, 2022 and incorporated herein by reference.
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	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* 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 FINANCIAL CORPORATION

Date: August 2, 2022

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

Date: August 2, 2022

By: /s/ Jason B. Davis
Jason B. Davis
Chief Financial Officer

Exhibit 31.1

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 officer 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 fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 (or persons performing the equivalent functions):

   (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

August 2, 2022

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

Exhibit 31.2

CERTIFICATION

I, Jason B. Davis, 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 officer 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 fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 (or persons performing the equivalent functions):

   (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

August 2, 2022

/s/ Jason B. Davis
Jason B. Davis
Chief Financial Officer

Exhibit 32

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 June 30, 2022, as filed with the Securities and Exchange Commission (the “Report”), each of James M. Stubbs, Chief Executive Officer of the Company, and Jason B. Davis, 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 results of operations of the Company.

RIVER FINANCIAL CORPORATION

/s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)
Date: August 2, 2022

RIVER FINANCIAL CORPORATION

/s/ Jason B. Davis
Jason B. Davis
Chief Financial Officer
(principal financial officer and accounting officer)
Date: August 2, 2022

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.