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 September 30, 2021

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	**46-1422125**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2611 Legends Drive Prattville, Alabama	**36066**
(Address of principal executive offices)	**(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 October 31, 2021, the registrant had 6,550,651 shares of common stock, $1.00 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

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

As set forth elsewhere in the risk factors 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)

	September 30, 2021 Unaudited	December 31, 2020 Audited
Assets		
Cash and due from banks	$ 27,938	$ 15,859
Interest-bearing deposits in banks	33,977	32,909
Federal funds sold	9,500	11,500
Cash and cash equivalents	71,415	60,268
Certificates of deposit in banks	3,660	4,155
Securities held-to-maturity, at amortized cost	10,936	-
Securities available-for-sale, at fair value	849,315	493,274
Loans held for sale	18,031	24,004
Loans, net of unearned income and discounts	1,237,731	1,186,582
Less allowance for loan losses	(20,047)	(16,803)
Net loans	1,217,684	1,169,779
Premises and equipment, net	35,609	32,501
Accrued interest receivable	6,945	6,799
Bank owned life insurance	44,851	29,016
Foreclosed assets	650	240
Deferred income taxes, net	4,021	1,625
Core deposit intangible	3,233	4,052
Goodwill	27,817	27,817
Restricted equity securities	1,482	1,777
Other assets	13,665	9,343
Total assets	$ 2,309,314	$ 1,864,650
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$ 568,220	$ 436,885
Interest-bearing deposits	1,499,040	1,216,750
Total deposits	2,067,260	1,653,635
Securities sold under agreements to repurchase	9,432	13,653
Note payable	-	20,392
Subordinated debentures, net of loan costs	39,325	-
Accrued interest payable and other liabilities	10,286	8,790
Total liabilities	2,126,303	1,696,470
Common stock related to 401(k) Employee Stock Ownership Plan	2,673	1,732
Stockholders' Equity		
Common stock ($1 par value; 10,000,000 shares authorized; 6,562,885 and 6,528,764 shares issued; 6,550,651 and 6,501,024 shares outstanding, respectively)	6,563	6,529
Additional paid-in capital	101,393	100,707
Retained earnings	70,427	53,391
Accumulated other comprehensive income	5,019	8,310
Treasury stock at cost (12,234 and 27,740 shares, respectively)	(391)	(757)
Common stock related to 401(k) Employee Stock Ownership Plan	(2,673)	(1,732)
Total stockholders' equity	180,338	166,448
Total equity	183,011	168,180
Total liabilities and stockholders' equity	$ 2,309,314	$ 1,864,650

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: September 30, 2021	For the Three Months Ended: September 30, 2020	For the Nine Months Ended: September 30, 2021	For the Nine Months Ended: September 30, 2020
Interest income:				
Loans, including fees	$ 15,956	$ 14,328	$ 46,988	$ 41,285
Taxable securities	2,093	1,105	5,119	3,829
Nontaxable securities	540	517	1,610	1,451
Federal funds sold	7	4	21	4
Other interest income	34	26	95	201
Total interest income	18,630	15,980	53,833	46,770
Interest expense:				
Deposits	978	1,667	3,139	5,446
Short-term borrowings	3	2	8	14
Subordinated debentures	410	-	939	-
Note payable	-	333	242	1,029
Total interest expense	1,391	2,002	4,328	6,489
Net interest income	17,239	13,978	49,505	40,281
Provision for loan losses	1,187	2,916	3,558	7,798
Net interest income after provision for loan losses	16,052	11,062	45,947	32,483
Noninterest income:				
Service charges and fees	1,527	1,269	4,313	3,673
Investment brokerage revenue	70	43	195	128
Mortgage operations	1,946	1,555	5,354	3,917
Bank owned life insurance income	292	201	835	599
Net gain (loss) on sale of investment securities	-	-	7	(48)
Other noninterest income	95	90	311	317
Total noninterest income	3,930	3,158	11,015	8,586
Noninterest expense:				
Salaries and employee benefits	7,117	5,437	19,681	15,974
Occupancy expenses	598	592	1,776	1,759
Equipment rentals, depreciation, and maintenance	240	281	804	863
Telephone and communications	132	116	445	361
Advertising and business development	196	184	508	400
Data processing	740	681	2,169	2,155
Foreclosed assets, net	50	32	136	152
Federal deposit insurance and other regulatory assessments	331	265	880	548
Legal and other professional services	309	181	932	588
Other operating expenses	1,552	1,299	4,511	3,944
Total noninterest expense	11,265	9,068	31,842	26,744
Income before income taxes	8,717	5,152	25,120	14,325
Provision for income taxes	1,884	1,085	5,472	2,938
Net income	$ 6,833	$ 4,067	$ 19,648	$ 11,387
Basic net earnings per common share	$ 1.04	$ 0.63	$ 3.01	$ 1.75
Diluted net earnings per common share	$ 1.03	$ 0.62	$ 2.97	$ 1.73
Dividends per common share	$ -	$ -	$ 0.40	$ 0.36

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

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

	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Net income	$ 6,833	$ 4,067	$ 19,648	$ 11,387
Other comprehensive income (loss), net of tax:				
Investment securities available-for-sale:				
Net unrealized gains (losses)	1,752	1,179	(4,389)	7,965
Income tax effect	(440)	(296)	1,103	(2,000)
Reclassification adjustments for net (gains) losses realized in net income	-	-	(7)	48
Income tax effect	-	-	2	(12)
Other comprehensive income (loss), net of tax	1,312	883	(3,291)	6,001
Comprehensive income	$ 8,145	$ 4,950	$ 16,357	$ 17,388

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

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

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Common Stock Related to KSOP	Total Stockholders' Equity
Balance at December 31, 2020	$ 6,529	$ 100,707	$ 53,391	$ 8,310	$ (757)	$ (1,732)	$ 166,448
Net income	-	-	19,648	-	-	-	19,648
Other comprehensive loss, net of tax	-	-	-	(3,291)	-	-	(3,291)
Exercise of stock options (34,121 shares)	34	555	-	-	-	-	589
Purchase of treasury stock (26,678 shares)	-	-	-	-	(824)	-	(824)
Sale of treasury shares (42,184 shares)	-	(9)	-	-	1,190	-	1,181
Dividends declared ($0.40 per share)	-	-	(2,612)	-	-	-	(2,612)
Stock-based compensation expense	-	140	-	-	-	-	140
Change for KSOP related shares	-	-	-	-	-	(941)	(941)
Balance at September 30, 2021	$ 6,563	$ 101,393	$ 70,427	$ 5,019	$ (391)	$ (2,673)	$ 180,338

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

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

	For the Nine Months Ended September 30, 2021	2020
Cash Flows From (Used For) Operating Activities:		
Net Income	$ 19,648	$ 11,387
Adjustments to reconcile net income to net cash (used for) from operating activities:		
Provision for loan losses	3,558	7,798
Provision for losses on foreclosed assets	90	91
Amortization of securities available-for-sale	5,621	2,898
Accretion of securities available-for-sale	(136)	(173)
Realized net (gain) loss on securities available-for-sale	(7)	48
Accretion of discount on acquired loans	(54)	(281)
Accretion of deferred loan fees / costs	(2,280)	(1,811)
Amortization of core deposit intangible asset	819	967
Stock-based compensation expense	140	163
Bank owned life insurance income	(835)	(599)
Depreciation and amortization of premises and equipment	1,100	1,103
Gain on sale of foreclosed assets	(10)	(2)
Deferred income tax benefit	(1,295)	(3,041)
(Increase) decrease in operating assets and (decrease) increase in operating liabilities:		
Loans held-for-sale	5,973	(15,183)
Accrued interest receivable	(146)	(2,250)
Other assets	(4,322)	(1,656)
Accrued interest payable and other liabilities	1,498	(1,517)
Net cash from (used for) operating activities	29,362	(2,058)
Cash Flows From (Used For) Investing Activities:		
Maturity of certificate of deposit	495	2,437
Purchase of certificate of deposit	-	(501)
Activity in securities available-for-sale:		
Sales of securities available-for-sale	4,383	14,499
Maturities, payments, calls of securities available-for-sale	100,461	62,702
Purchases of securities available-for-sale	(470,758)	(183,880)
Activity in securities held-to-maturity:		
Purchases of securities held-to-maturity	(10,937)	-
Loan principal originations, net	(49,758)	(284,126)
Proceeds from sale of foreclosed assets	141	1,334
Purchases of premises and equipment	(4,208)	(1,172)
Sale (purchase) of restricted equity securities, net	295	(127)
Purchase of bank owned life insurance	(15,000)	-
Net cash used for investing activities	(444,886)	(388,834)
Cash Flows From (Used For) Financing Activities:		
Net increase in deposits	413,625	405,279
Net (decrease) increase in securities sold under agreements to repurchase	(4,221)	1,559
Proceeds from issuance of subordinated debt, net of loan costs	39,325	-
Repayment of note payable	(20,392)	(2,519)
Proceeds from exercise of common stock options and warrants	589	181
Purchase of treasury stock	(824)	(700)
Sale of treasury stock	1,181	198
Cash dividends	(2,612)	(2,343)
Net cash from financing activities	426,671	401,655
Net Change In Cash And Cash Equivalents	11,147	10,763
Cash and Cash Equivalents At Beginning Of Period	60,268	45,455
Cash and Cash Equivalents At End Of Period	$ 71,415	$ 56,218
Supplemental Disclosures Of Cash Flows Information:		
Cash Payments For:		
Interest paid to depositors	$ 3,228	$ 5,528
Interest paid on borrowings	$ 1,332	$ 1,070
Income taxes	$ 9,020	$ 7,148
Non-cash investing and financing activities:		
Transfer of loans to foreclosed assets	$ 630	$ 490

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

Note 1 – Basis of Presentation

General

The unaudited consolidated financial statements include the accounts of River Financial Corporation ("River" or the "Company") and its wholly owned subsidiary, River Bank & Trust ("Bank"). The Bank provides a full range of commercial and consumer banking services primarily in the Montgomery, Alabama metropolitan area, Autauga, Baldwin, Chilton, Coffee, Elmore, Etowah, Houston, Lee, 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, 2020, which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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 2021. 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 (KSOP) are included in the earnings per share calculations.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net earnings available to common shareholders	$ 6,833	$ 4,067	$ 19,648	$ 11,387
Weighted average common shares outstanding	6,545,008	6,498,288	6,532,128	6,498,669
Dilutive effect of stock options	84,163	73,452	72,895	74,759
Diluted common shares	6,629,171	6,571,740	6,605,023	6,573,428
Basic earnings per common share	$ 1.04	$ 0.63	$ 3.01	$ 1.75
Diluted earnings per common share	$ 1.03	$ 0.62	$ 2.97	$ 1.73

Note 4 – Investment Securities

The following table summarizes 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 income at September 30, 2021 and December 31, 2020 (amounts in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2021:				
Securities available-for-sale:				
Residential mortgage-backed	$ 615,955	$ 3,929	$ (2,631)	$ 617,253
U.S. treasury securities	97,474	52	(155)	97,371
U.S. govt. sponsored enterprises	26,381	835	-	27,216
State, county, and municipal	93,552	4,740	(93)	98,199
Corporate debt obligations	9,225	69	(18)	9,276
Total available-for-sale	$ 842,587	$ 9,625	$ (2,897)	$ 849,315

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2021:				
Securities held-to-maturity:				
Residential mortgage-backed	$ -	$ -	$ -	$ -
U.S. treasury securities	-	-	-	-
U.S. govt. sponsored enterprises	-	-	-	-
State, county, and municipal	10,936	2	(119)	10,819
Corporate debt obligations	-	-	-	-
Total held-to-maturity	$ 10,936	$ 2	$ (119)	$ 10,819

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020:				
Securities available-for-sale:				
Residential mortgage-backed	$ 346,001	$ 5,034	$ (438)	$ 350,597
U.S. govt. sponsored enterprises	34,963	1,272	(4)	36,231
State, county, and municipal	98,026	5,220	(17)	103,229
Corporate debt obligations	3,166	51	-	3,217
Total available-for-sale	$ 482,156	$ 11,577	$ (459)	$ 493,274

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 table summarizes securities with unrealized and unrecognized losses as of September 30, 2021 and December 31, 2020 aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position (amounts in thousands):

	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2021:						
Securities available-for-sale:						
Residential mortgage-backed	$ 253,923	$ 2,583	$ 8,664	$ 48	$ 262,587	$ 2,631
U.S. treasury securities	56,820	155	-	-	56,820	155
U.S. govt. sponsored enterprises	-	-	-	-	-	-
State, county & municipal	6,815	83	625	10	7,440	93
Corporate debt obligations	3,033	18	-	-	3,033	18
Total available-for-sale	$ 320,591	$ 2,839	$ 9,289	$ 58	$ 329,880	$ 2,897
Securities held-to-maturity:						
Residential mortgage-backed	$ -	$ -	$ -	$ -	$ -	$ -
U.S. treasury securities	-	-	-	-	-	-
U.S. govt. sponsored enterprises	-	-	-	-	-	-
State, county & municipal	9,484	119	-	-	9,484	119
Corporate debt obligations	-	-	-	-	-	-
Total held-to-maturity	$ 9,484	$ 119	$ -	$ -	$ 9,484	$ 119
December 31, 2020:						
Securities available-for-sale:						
Residential mortgage-backed	$ 125,431	$ 438	$ -	$ -	$ 125,431	$ 438
U.S. govt. sponsored enterprises	2,496	4	-	-	2,496	4
State, county & municipal	2,945	17	-	-	2,945	17
Corporate debt obligations	-	-	-	-	-	-
Total available-for-sale	$ 130,872	$ 459	$ -	$ -	$ 130,872	$ 459

As of September 30, 2021, 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 nine months ended September 30, 2021 or 2020. The Company owned a total of 88 securities with unrealized losses of $3.02 million at September 30, 2021. As of September 30, 2021 and December 31, 2020, securities with a carrying value of approximately $182.5 million and $129.0 million, respectively, were pledged to secure public deposits as required by law. At September 30, 2021 and December 31, 2020, the carrying value of securities pledged to secure repurchase agreements was approximately $19.9 million and $15.2 million, respectively.

During the nine months ended September 30, 2021, the Company sold investment securities for proceeds of $4.4 million and realized gains of $7 thousand. During the nine months ended September 30, 2020, the Company sold investment securities for proceeds of $14.5 million and realized losses of $48 thousand.

The amortized cost and estimated fair value of debt securities at September 30, 2021 and December 31, 2020, 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.

	September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Securities available-for-sale				
Less than 1 year	$ 11,517	$ 11,622	$ 7,443	$ 7,532
1 to 5 years	84,491	85,511	31,821	33,227
5 to 10 years	55,856	56,258	21,299	22,021
After 10 years	74,768	78,671	75,592	79,897
	226,632	232,062	136,155	142,677
Residential mortgage-backed securities	615,955	617,253	346,001	350,597
Total available-for-sale	$ 842,587	$ 849,315	$ 482,156	$ 493,274

	September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Securities held-to-maturity				
Less than 1 year	$ -	$ -	$ -	$ -
1 to 5 years	-	-	-	-
5 to 10 years	-	-	-	-
After 10 years	10,936	10,819	-	-
	10,936	10,819	-	-
Residential mortgage-backed securities	-	-	-	-
Total held-to-maturity	$ 10,936	$ 10,819	$ -	$ -

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

Major classifications of loans at September 30, 2021 and December 31, 2020 are summarized as follows (amounts in thousands):

	September 30, 2021		December 31, 2020	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 295,527	24.3%	$ 252,528	21.6%
Closed-end 1-4 family - junior lien	6,151	0.5%	8,343	0.7%
Multi-family	10,570	0.8%	10,817	0.9%
Total residential real estate	312,248	25.6%	271,688	23.2%
Commercial real estate:				
Nonfarm nonresidential	341,837	28.1%	317,279	27.1%
Farmland	41,034	3.4%	34,586	3.0%
Total commercial real estate	382,871	31.5%	351,865	30.1%
Construction and land development:				
Residential	89,556	7.4%	71,784	6.1%
Other	92,549	7.6%	78,818	6.7%
Total construction and land development	182,105	15.0%	150,602	12.8%
Home equity lines of credit	47,942	3.9%	43,424	3.7%
Commercial loans:				
Other commercial loans	208,503	17.0%	279,385	23.9%
Agricultural	44,753	3.7%	29,854	2.6%
State, county, and municipal loans	23,528	1.9%	25,922	2.2%
Total commercial loans	276,784	22.6%	335,161	28.7%
Consumer loans	42,780	3.5%	40,646	3.5%
Total gross loans	1,244,730	102.1%	1,193,386	102.0%
Allowance for loan losses	(20,047)	-1.6%	(16,803)	-1.4%
Net discounts	(541)	0.0%	(1,010)	-0.1%
Net deferred loan fees	(6,458)	-0.5%	(5,794)	-0.5%
Net loans	$ 1,217,684	100.0%	$ 1,169,779	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, 2020	$ 1,676	$ 6,807	$ 1,749	$ 268	$ 5,897	$ 406	$ 16,803
Provision (credit) for loan losses	529	1,767	815	79	452	(84)	3,558
Loan charge-offs	(105)	(181)	(2)	-	(254)	(56)	(598)
Loan recoveries	60	35	7	-	122	60	284
Balance - September 30, 2021	$ 2,160	$ 8,428	$ 2,569	$ 347	$ 6,217	$ 326	$ 20,047
Ending balance:							
Individually evaluated for impairment	$ 33	$ -	$ -	$ -	$ 186	$ 66	$ 285
Collectively evaluated for impairment	2,127	8,428	2,569	347	6,031	260	19,762
Total	$ 2,160	$ 8,428	$ 2,569	$ 347	$ 6,217	$ 326	$ 20,047
Loans:							
Individually evaluated for impairment	$ 658	$ 2,020	$ -	$ 303	$ 186	$ 66	$ 3,233
Collectively evaluated for impairment	311,407	380,839	182,094	47,639	276,598	42,714	1,241,291
Acquired loans with deteriorated credit quality	183	12	11	-	-	-	206
Total	$312,248	$ 382,871	$ 182,105	$ 47,942	$ 276,784	$ 42,780	$1,244,730

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, 2019	$ 1,412	$ 3,601	$ 987	$ 344	$ 1,910	$ 425	$ 8,679
Provision (credit) for loan losses	175	3,008	699	(86)	3,936	66	7,798
Loan charge-offs	(52)	-	(59)	-	(232)	(94)	(437)
Loan recoveries	6	17	109	19	108	34	293
Balance - September 30, 2020	$ 1,541	$ 6,626	$ 1,736	$ 277	$ 5,722	$ 431	$ 16,333
Ending balance:							
Individually evaluated for impairment	$ 31	$ 17	$ -	$ -	$ 335	$ 84	$ 467
Collectively evaluated for impairment	1,510	6,609	1,736	277	5,387	347	15,866
Total	$ 1,541	$ 6,626	$ 1,736	$ 277	$ 5,722	$ 431	$ 16,333
Loans:							
Individually evaluated for impairment	$ 1,029	$ 3,562	$ 137	$ 408	$ 440	$ 84	$ 5,660
Collectively evaluated for impairment	264,093	341,129	143,607	44,076	359,162	40,531	1,192,598
Acquired loans with deteriorated credit quality	324	885	7	-	54	15	1,285
Total	$265,446	$ 345,576	$ 143,751	$ 44,484	$ 359,656	$ 40,630	$1,199,543

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

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

We have received requests from our borrowers for loan and lease deferrals and modifications 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 September 30, 2021, approximately $283 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 September 30, 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	$ 498	$ 498	$ 498	$ -	$ -
Commercial real estate	889	889	889	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	1,387	1,387	1,387	-	-
Home equity lines of credit	201	201	201	-	-
Commercial loans	186	186	-	186	186
Consumer loans	66	66	-	66	66
Total Loans	$ 1,840	$ 1,840	$ 1,588	$ 252	$ 252

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	$ 160	$ 160	$ 101	$ 59	$ 33
Commercial real estate	1,131	1,131	1,131	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	1,291	1,291	1,232	59	33
Home equity lines of credit	102	102	102	-	-
Commercial loans	-	-	-	-	-
Consumer loans	-	-	-	-	-
Total Loans	$ 1,393	$ 1,393	$ 1,334	$ 59	$ 33

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	$ 658	$ 658	$ 599	$ 59	$ 33
Commercial real estate	2,020	2,020	2,020	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	2,678	2,678	2,619	59	33
Home equity lines of credit	303	303	303	-	-
Commercial loans	186	186	-	186	186
Consumer loans	66	66	-	66	66
Total Loans	$ 3,233	$ 3,233	$ 2,922	$ 311	$ 285

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

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	$ 633	$ 633	$ 523	$ 110	$ 34
Commercial real estate	1,014	1,014	1,014	-	-
Construction and land development	432	432	432	-	-
Total mortgage loans on real estate	2,079	2,079	1,969	110	34
Home equity lines of credit	207	207	207	-	-
Commercial loans	-	-	-	-	-
Consumer loans	82	82	-	82	82
Total Loans	$ 2,368	$ 2,368	$ 2,176	$ 192	$ 116

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	$ 166	$ 166	$ 104	$ 62	$ 36
Commercial real estate	2,070	2,070	2,070	-	-
Construction and land development	-	-	-	-	-
Total mortgage loans on real estate	2,236	2,236	2,174	62	36
Home equity lines of credit	201	201	201	-	-
Commercial loans	294	294	103	191	191
Consumer loans	-	-	-	-	-
Total Loans	$ 2,731	$ 2,731	$ 2,478	$ 253	$ 227

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	$ 799	$ 799	$ 627	$ 172	$ 70
Commercial real estate	3,084	3,084	3,084	-	-
Construction and land development	432	432	432	-	-
Total mortgage loans on real estate	4,315	4,315	4,143	172	70
Home equity lines of credit	408	408	408	-	-
Commercial loans	294	294	103	191	191
Consumer loans	82	82	-	82	82
Total Loans	$ 5,099	$ 5,099	$ 4,654	$ 445	$ 343

The following table presents the average recorded investment in impaired loans and the interest income recognized on impaired loans in the nine months ended September 30, 2021 and 2020 by loan category (amounts in thousands).

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Average Recorded Investment	Ending Recorded Investment	Interest Income	Average Recorded Investment	Ending Recorded Investment	Interest Income
Mortgage loans on real estate:						
Residential real estate	$ 796	$ 658	$ 9	$ 736	$ 1,029	$ 19
Commercial real estate	2,594	2,020	66	2,695	3,562	115
Construction and land development	175	-	-	141	137	5
Total mortgage loans on real estate	3,565	2,678	75	3,572	4,728	139
Home equity lines of credit	355	303	6	338	408	7
Commercial loans	264	186	5	416	440	15
Consumer loans	74	66	-	21	84	-
Total Loans	$ 4,258	$ 3,233	$ 86	$ 4,347	$ 5,660	$ 161

The following tables present the aging of loans and non-accrual loans as of September 30, 2021 and December 31, 2020, by class of loans (amounts in thousands).

		Accruing Loans			
As of September 30, 2021	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual Loans	Total Loans
Mortgage loans on real estate:					
Residential real estate	$ 310,467	$ 725	$ 100	$ 956	$ 312,248
Commercial real estate	380,918	1,064	-	889	382,871
Construction and land development	181,514	546	-	45	182,105
Total mortgage loans on real estate	872,899	2,335	100	1,890	877,224
Home equity lines of credit	47,583	121	-	238	47,942
Commercial loans	276,383	163	-	238	276,784
Consumer loans	42,459	149	23	149	42,780
Total Loans	$ 1,239,324	$ 2,768	$ 123	$ 2,515	$ 1,244,730

		Accruing Loans			
As of December 31, 2020	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual Loans	Total Loans
Mortgage loans on real estate:					
Residential real estate	$ 268,650	$ 1,188	$ 386	$ 1,464	$ 271,688
Commercial real estate	349,677	388	12	1,788	351,865
Construction and land development	150,127	29	-	446	150,602
Total mortgage loans on real estate	768,454	1,605	398	3,698	774,155
Home equity lines of credit	43,069	109	-	246	43,424
Commercial loans	334,881	188	-	92	335,161
Consumer loans	40,205	213	-	228	40,646
Total Loans	$ 1,186,609	$ 2,115	$ 398	$ 4,264	$ 1,193,386

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 September 30, 2021 and December 31, 2020, 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 September 30, 2021	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential real estate	$ 307,406	$ 3,368	$ 1,474	$ -	$ 312,248
Commercial real estate	369,475	7,311	6,085	-	382,871
Construction and land development	180,897	675	533	-	182,105
Total mortgage loans on real estate	857,778	11,354	8,092	-	877,224
Home equity lines of credit	47,435	30	477	-	47,942
Commercial loans	270,542	5,684	558	-	276,784
Consumer loans	42,240	275	264	1	42,780
Total Loans	$ 1,217,995	$ 17,343	$ 9,391	$ 1	$ 1,244,730

As of December 31, 2020	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential real estate	$ 266,173	$ 3,616	$ 1,899	$ -	$ 271,688
Commercial real estate	340,652	6,918	4,295	-	351,865
Construction and land development	149,625	407	570	-	150,602
Total mortgage loans on real estate	756,450	10,941	6,764	-	774,155
Home equity lines of credit	42,879	59	486	-	43,424
Commercial loans	327,913	6,809	439	-	335,161
Consumer loans	39,929	360	357	-	40,646
Total Loans	$ 1,167,171	$ 18,169	$ 8,046	$ -	$ 1,193,386

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.

Securities available-for-sale – Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, repayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities 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 September 30, 2021 and December 31, 2020, 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.

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

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

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

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

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

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

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 September 30, 2021 and December 31, 2020 is as follows: (amounts in thousands)

		Fair Value Measurements At Reporting Date Using:		
September 30, 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	$ 617,253	$ -	$ 617,253	$ -
U.S. treasury securities	97,371	-	97,371	-
U.S. government sponsored enterprises	27,216	-	27,216	-
State, county, and municipal	98,199	-	98,199	-
Corporate debt obligations	9,276	-	9,276	-
Totals	$ 849,315	$ -	$ 849,315	$ -

		Fair Value Measurements At Reporting Date Using:		
December 31, 2020	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	$ 350,597	$ -	$ 350,597	$ -
U.S. government sponsored enterprises	36,231	-	36,231	-
State, county, and municipal	103,229	-	103,229	-
Corporate debt obligations	3,217	-	3,217	-
Totals	$ 493,274	$ -	$ 493,274	$ -

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 September 30, 2021 and December 31, 2020 (amounts in thousands):

		Fair Value Measurements At Reporting Date Using:		
September 30, 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	$ 2,948	$ -	$ -	$ 2,948
Foreclosed assets	650	-	-	650
Totals	$ 3,598	$ -	$ -	$ 3,598

December 31, 2020	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	$ 4,756	$ -	$ -	$ 4,756
Foreclosed assets	240	-	-	240
Totals	$ 4,996	$ -	$ -	$ 4,996

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 September 30, 2021 and December 31, 2020 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 September 30, 2021 and December 31, 2020.

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments as of September 30, 2021 and December 31, 2020 are as follows (amounts in thousands):

September 30, 2021	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 71,415	$ 71,415	$ -	$ -
Certificates of deposit in banks	3,660	-	3,660	-
Securities held-to-maturity	10,936	-	10,819	-
Securities available-for-sale	849,315	-	849,315	-
Loans held-for-sale	18,031	-	18,031	-
Loans receivable	1,217,684	-	1,223,822	2,948
Accrued interest receivable	6,945	-	6,945	-
Bank owned life insurance	44,851	-	44,851	-
Restricted equity securities	1,482	-	-	1,482
Financial liabilities:				
Deposits	2,067,260	-	2,027,608	-
Securities sold under agreements to repurchase	9,432	-	9,432	-
Subordinated debentures	39,325	-	40,917	-
Accrued interest payable	214	-	214	-

December 31, 2020	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 60,268	$ 60,268	$ -	$ -
Certificates of deposit in banks	4,155	-	4,155	-
Securities available-for-sale	493,274	-	493,274	-
Loans held-for-sale	24,004	-	24,004	-
Loans receivable	1,169,779	-	1,184,010	4,756
Accrued interest receivable	6,799	-	6,799	-
Bank owned life insurance	29,016	-	29,016	-
Restricted equity securities	1,777	-	-	1,777
Financial liabilities:				
Deposits	1,653,635	-	1,640,680	-
Securities sold under agreements to repurchase	13,653	-	13,653	-
Note payable	20,392	-	20,392	-
Accrued interest payable	455	-	455	-

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 September 30, 2021 and December 31, 2020.

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 (KSOP), which covers substantially all of the Company's employees who are eligible, as to age and length of service. A participant may elect to make contributions up to $19.5 thousand of the participant's annual compensation in both 2021 and 2020. 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 $439 thousand and $401 thousand for the nine months ended September 30, 2021 and 2020, respectively. Outstanding shares of the Company's common stock allocated to participants at September 30, 2021 and December 31, 2020 totaled 120,015 and 83,316 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 KSOP includes a put option for shares of the Company's common stock distributed from the KSOP. Shares are distributed from the KSOP primarily to separate vested participants and certain eligible participants who elect to diversify their account balances. Since the Company's common stock is not currently traded on an established securities market, if the owners of distributed shares desire to sell their shares, the Company is required to purchase the shares at fair value during two put option periods following the distribution of the shares from the KSOP. The first put option period is within sixty days following the distribution of the shares from the KSOP. The second put option period begins on the first day of the fifth month of the plan year for a sixty day period. The fair value of distributed shares subject to the put option totaled $0 as of September 30, 2021 and December 31, 2020. The cost of the KSOP shares totaled $2.67 million and $1.73 million as of September 30, 2021 and December 31, 2020, respectively. Due to the Company's obligation under the put option, the distributed shares and KSOP shares are classified as temporary equity in the mezzanine section of the consolidated statements of financial condition and totaled $2.67 million and $1.73 million as of September 30, 2021 and December 31, 2020, respectively. The fair value of the KSOP shares totaled $4.02 million and $2.42 million as of September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020, 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 2028. Substantially all of our leases are classified as operating leases, and therefore, were previously not recognized on the Company's consolidated statements of condition. With the adoption of Topic 842, operating lease agreements are required to be recognized on the consolidated statements of condition as a right-of-use (ROU) asset and a corresponding lease liability. The 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	September 30, 2021	December 31, 2020
Operating lease right-of-use assets	Other Assets	$ 1,750	$ 1,636

Lease Liabilities	Classification on Consolidated Statement of Condition	September 30, 2021	December 31, 2020
Operating lease liabilities	Accrued interest payable and other liabilities	$ 1,840	$ 1,720

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.

	September 30, 2021	**December 31, 2020**
Weighted-average remaining lease term for operating leases	5.77 Years	6.47 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 September 30, 2021 are as follows:

	Operating Leases
October 1, 2021 - September 30, 2022	$ 432
October 1, 2022 - September 30, 2023	432
October 1, 2023 - September 30, 2024	375
October 1, 2024 - September 30, 2025	261
October 1, 2025 - September 30, 2026	229
Afterward	445
Total future minimum lease payments	2,174
Amounts representing interest	(334)
Present value of net future minimum lease payments	$ 1,840

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, 2020, which are contained in the Annual Report on Form 10-K for the year ended December 31, 2020. 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 2020 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. The PPP Program ended May 31, 2021, and no new loans under the program may be made after such date. As of September 30, 2021, the Bank has approximately 1,233 PPP loans in the aggregate amount of approximately $66.1 million outstanding. At December 31, 2020, the Bank had approximately 2,188 PPP loans in the aggregate amount of approximately $139.1 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 September 30, 2021, we operated eighteen full-service banking offices in Alabama in the cities of Montgomery, Prattville, Millbrook, Wetumpka, Auburn, Opelika, Gadsden, Alexander City, Daphne, Clanton, Dothan, Enterprise, Thorsby, and Mobile, Alabama. We also have a loan production office in Decatur, 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 Third Quarter 2021 Results

Net income was $6.8 million in the quarter ended September 30, 2021, compared with $4.1 million in the quarter ended September 30, 2020. Several significant measures from the 2021 third quarter include:

- Net interest margin (taxable equivalent) of 3.26%, compared with 3.48% for the third quarter of 2020.
- Net interest income increase of $3.2 million for the quarter ended September 30, 2021, representing a 23.33% rate of increase over the quarter ended September 30, 2020.
- Annualized return on average earning assets for the quarter ended September 30, 2021 of 1.29% compared with 1.01% for the quarter ended September 30, 2020.
- Annualized return on average equity for the quarter ended September 30, 2021 of 15.76% compared with 10.23% for the quarter ended September 30, 2020.
- Loan increase of $10,153 million during the quarter ended September 30, 2021, representing a 3.31% annualized growth rate.
- Securities available-for-sale increase of $69.0 million during the quarter ended September 30, 2021, representing a 35.34% annualized increase for the quarter.
- Deposit increase of $75.2 million during the quarter ended September 30, 2021, representing a 15.11% annualized growth rate.

- Stockholders’ equity increase of $8.3 million during the quarter ended September 30, 2021 representing a 19.20% annualized increase.
- Book value per share of $27.94 at September 30, 2021, compared with $25.87 per share at December 31, 2020.
- Tangible book value per share of $23.20 at September 30, 2021, compared with $20.97 at December 31, 2020.

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, 2020, 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, 2020, 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 nine months ended September 30, 2021 and 2020

The following is a narrative discussion and analysis of significant changes in our results of operations for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020.

Net Income

During the three months ended September 30, 2021, our net income was $6.8 million, compared to $4.1 million for the three months ended September 30, 2020, an increase of $2.7 million, or 68.01%. The primary reason for the increase in net income for the third quarter of 2021 as compared to the third quarter of 2020 was an increase in net interest income. During the three months ended September 30, 2021, net interest income was $17.2 million compared to $14.0 million for the three months ended September 30, 2020, an increase of $3.2 million, or 23.33%. This increase is a result of higher levels of loan and securities volume and other earning assets from organic growth as well as the recognition of origination fee income from the SBA Paycheck Protection Program. We were also able to lower interest expense by reducing deposit rates despite a significant amount of deposit growth during the period. The provision for loan losses also decreased approximately $1.7 million from the third quarter of 2020 to the third quarter of 2021. 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 third quarter of 2021 was $3.9 million compared to $3.2 million for the quarter ended September 30, 2020. This increase in noninterest income was primarily the result of the $258 thousand increase in service charges and fees which was primarily due to deposit growth and a $391 thousand increase in secondary market mortgage operations income. Total noninterest expense in the third quarter of 2021 increased $2.2 million, or 24.23%, from the third quarter of 2020. The most significant increase was an increase of $1.7 million in salaries and employee benefits.

During the nine months ended September 30, 2021, our net income was $19.6 million, compared to $11.4 million for the nine months ended September 30, 2020, an increase of $8.3 million, or 72.55%. The primary reason for the increase in net income for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 was an increase in both net interest income and an increase in noninterest income. During this period in 2021, net interest income was $49.5 million compared to $40.3 million for the same period in 2020, an increase of $9.2 million, or 22.90%. This increase is a result of higher levels of loan and securities volume and other earning assets from organic growth as well as from the recognition of origination fee income from the SBA Paycheck Protection Program. We were also able to lower interest expense by reducing deposit rates despite a significant amount of deposit growth during the period. The provision for loan losses also decreased approximately $4.2 million from the third quarter of 2020 to the third quarter of 2021. 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 nine months of 2021 was $11.0 million compared to $8.6 million in the first nine months of 2020. This increase was primarily the result of the $1.4 million increase in in secondary market mortgage origination income. Total noninterest expense in the first nine months of 2021 increased $5.1 million, or 19.06%, from the first nine months of 2020. The most significant increase was an increase of $3.7 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 September 30, 2021 and 2020

The following table shows, for the three months ended September 30, 2021 and 2020, 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 September 30, 2021			Three Months Ended September 30, 2020		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$1,224,244	$ 15,901	5.15%	$1,164,557	$ 14,238	4.85%
Mortgage loans held for sale	23,743	103	1.84%	22,324	143	2.54%
Investment securities:						
Taxable securities	716,354	2,093	1.16%	310,144	1,105	1.41%
Tax-exempt securities	90,603	697	3.05%	81,602	667	3.25%
Interest bearing balances in other banks	55,351	34	0.24%	32,068	26	0.33%
Federal funds sold	10,349	7	0.25%	6,305	4	0.25%
Total interest earning assets	$2,120,644	$ 18,835	3.52%	$1,617,000	$ 16,183	3.97%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 478,154	$ 98	0.08%	$ 321,185	$ 123	0.15%
Savings and money market accounts	686,134	355	0.21%	491,840	578	0.47%
Time deposits	290,339	525	0.72%	273,400	966	1.40%
Short-term debt	10,143	3	0.11%	10,417	2	0.10%
Subordinated debt	39,327	410	4.13%	-	-	0.00%
Note payable	-	-	0.00%	21,667	333	6.05%
Total interest bearing liabilities	$1,504,097	$ 1,391	0.37%	$1,118,509	$ 2,002	0.71%
Noninterest-bearing funding of earning assets	616,547	-	0.00%	498,491	-	0.00%
Total cost of funding earning assets	$2,120,644	$ 1,391	0.26%	$1,617,000	$ 2,002	0.49%
Net interest rate spread			3.15%			3.26%
Net interest income/margin (taxable equivalent)		$ 17,444	3.26%		$ 14,181	3.48%
Tax equivalent adjustment		(205)			(203)	
Net interest income/margin		$ 17,239	3.23%		$ 13,978	3.43%

The following table reflects, for the three months ended September 30, 2021 and 2020, 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 September 30, 2021 vs. Three Months Ended September 30, 2020		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 737	$ 926	$ 1,663
Mortgage loans held for sale	2	(42)	(40)
Investment securities:			
Taxable securities	1,439	(451)	988
Tax-exempt securities	76	(46)	30
Interest bearing balances in other banks	21	(13)	8
Federal funds sold	3	-	3
Total interest earning assets	$ 2,278	$ 374	$ 2,652
Interest bearing liabilities			
Interest bearing transaction accounts	$ 59	$ (84)	$ (25)
Savings and money market accounts	230	(453)	(223)
Time deposits	56	(497)	(441)
Short-term debt	1	-	1
Subordinated debentures	424	(14)	410
Note payable	(333)	-	(333)
Total interest bearing liabilities	$ 437	$ (1,048)	$ (611)
Net interest income			
Net interest income (taxable equivalent)	$ 1,841	$ 1,422	$ 3,263
Taxable equivalent adjustment	(13)	11	(2)
Net interest income	$ 1,828	$ 1,433	$ 3,261

Total interest income for the three months ended September 30, 2021 was $18.6 million and total interest expense was $1.4 million, resulting in net interest income of $17.2 million for the period. For the same period of 2020, total interest income was $16.0 million and total interest expense was $2.0 million, resulting in net interest income of $14.0 million for the period. This represents a 23.33% increase in net interest income when comparing the same period from 2021 and 2020. When comparing the variances related to interest income for the three months ended September 30, 2021 and 2020, 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 three months ended September 30, 2021 was accompanied by an increase in the yield on loans and a decrease in the yields on investment securities. When comparing variances related to interest expense for the three months ended September 30, 2021 and 2020, the decrease primarily resulted from a decrease in deposit rates beginning in 2020 and continuing into 2021. This decrease was partially offset by an increase in the average volume of non-maturity deposits and time deposits.

Comparison of net interest income for the nine months ended September 30, 2021 and 2020

The following table shows, for the nine months ended September 30, 2021 and 2020, 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.

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$1,210,272	$ 46,817	5.17%	$1,053,457	$ 41,135	5.20%
Mortgage loans held for sale	22,801	332	1.95%	15,132	303	2.67%
Investment securities:						
Taxable securities	582,115	5,119	1.18%	270,839	3,829	1.88%
Tax-exempt securities	89,531	2,055	3.07%	75,850	1,862	3.27%
Interest bearing balances in other banks	55,222	95	0.23%	37,525	201	0.71%
Federal funds sold	11,111	21	0.25%	2,119	4	0.25%
Total interest earning assets	$1,971,052	$ 54,439	3.70%	$1,454,922	$ 47,334	4.35%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 438,365	$ 275	0.08%	$ 295,048	$ 477	0.22%
Savings and money market accounts	629,382	1,088	0.23%	431,069	1,858	0.57%
Time deposits	285,165	1,776	0.83%	259,471	3,111	1.60%
Securities sold under repurchase agreements	10,856	8	0.10%	8,993	14	0.21%
Subordinated debentures	27,450	939	4.57%	-	-	0.00%
Note payable	6,537	242	4.95%	22,509	1,029	6.09%
Total interest bearing liabilities	$1,397,755	$ 4,328	0.41%	$1,017,090	$ 6,489	0.85%
Noninterest-bearing funding of earning assets	573,297	-	0.00%	437,832	-	0.00%
Total cost of funding earning assets	$1,971,052	$ 4,328	0.29%	$1,454,922	$ 6,489	0.59%
Net interest rate spread			3.29%			3.50%
Net interest income/margin (taxable equivalent)		$ 50,111	3.40%		$ 40,845	3.74%
Tax equivalent adjustment		(606)			(564)	
Net interest income/margin		$ 49,505	3.36%		$ 40,281	3.69%

The following table reflects, for the nine months ended September 30, 2021 and 2020, 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.

	Nine Months Ended September 30, 2021 vs. Nine Months Ended September 30, 2020		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 5,954	$ (272)	$ 5,682
Mortgage loans held for sale	152	(123)	29
Investment securities:			
Taxable securities	4,338	(3,048)	1,290
Tax-exempt securities	327	(134)	193
Interest bearing balances in other banks	72	(178)	(106)
Federal funds sold	(4)	21	17
Total interest earning assets	$ 10,839	$ (3,734)	$ 7,105
Interest bearing liabilities			
Interest bearing transaction accounts	$ 236	$ (438)	$ (202)
Savings and money market accounts	846	(1,616)	(770)
Time deposits	306	(1,641)	(1,335)
Short-term debt	3	(9)	(6)
Subordinated debentures	529	410	939
Note payable	(729)	(58)	(787)
Total interest bearing liabilities	$ 1,191	$ (3,352)	$ (2,161)
Net interest income			
Net interest income (taxable equivalent)	$ 9,648	$ (382)	$ 9,266
Taxable equivalent adjustment	(64)	22	(42)
Net interest income	$ 9,584	$ (360)	$ 9,224

Total interest income for the nine months ended September 30, 2021 was $53.8 million and total interest expense was $4.3 million, resulting in net interest income of $49.5 million for the period. For the same period of 2020, total interest income was $46.8 million and total interest expense was $6.5 million, resulting in net interest income of $40.3 million for the period. This represents a 22.90% increase in net interest income when comparing the same period from 2021 and 2020. When comparing the variances related to interest income for the nine months ended September 30, 2021 and 2020, 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 and investment securities. When comparing variances related to interest expense for the nine months ended September 30, 2021 and 2020, 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 time deposits.

Provision for Loan Losses

The provision for loan losses represents a charge to earnings necessary to establish an allowance for loan losses that, in management's evaluation, is adequate to provide coverage for estimated losses on outstanding loans and to provide for uncertainties in the economy. As a result of evaluating the allowance for loan losses at September 30, 2021, management recorded a provision of $1.2 million in the third quarter of 2021 compared to a provision of $2.9 million in the third quarter of 2020. 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 September 30, 2021, the recorded allowance related to impaired loans was $285 thousand. As of September 30, 2020, the recorded allowance related to impaired loans was $467 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 September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Service charges and fees	$ 1,527	$ 1,269	$ 4,313	$ 3,673
Investment brokerage revenue	70	43	195	128
Mortgage operations	1,946	1,555	5,354	3,917
Bank owned life insurance income	292	201	835	599
Net gain (loss) on sale of investment securities	-	-	7	(48)
Other noninterest income	95	90	311	317
Total noninterest income	$ 3,930	$ 3,158	$ 11,015	$ 8,586

Noninterest income for the three months ended September 30, 2021 was $3.9 million compared to $3.2 million for the same period in 2020. The most significant increase was a $258 thousand increase in service charges and fees which was primarily a result of deposit growth and a $391 thousand increase in secondary market mortgage origination income.

Noninterest income for the nine months ended September 30, 2021 was $11.0 million compared to $8.6 million for the same period of 2020. The most significant increase was a $1.4 million increase in secondary market mortgage operations income. Activity within the secondary market continues to be high due to the low interest rate environment.

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 September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Salaries and employee benefits	$ 7,117	$ 5,437	$ 19,681	$ 15,974
Occupancy expenses	598	592	1,776	1,759
Equipment rentals, depreciation, and maintenance	240	281	804	863
Telephone and communications	132	116	445	361
Advertising and business development	196	184	508	400
Data processing	740	681	2,169	2,155
Foreclosed assets, net	50	32	136	152
Federal deposit insurance and other regulatory assessments	331	265	880	548
Legal and other professional services	309	181	932	588
Other operating expense	1,552	1,299	4,511	3,944
Total noninterest expense	$ 11,265	$ 9,068	$ 31,842	$ 26,744

Noninterest expense for the three months ended September 30, 2021 totaled $11.3 million compared with $9.1 million for the same period of 2020. The overall increase was primarily a result of increases in salaries and employee benefits. Salaries and employee benefits increased $1.7 million, or 30.90%, to $7.1 million in the third quarter of 2021 from $5.4 million in the third quarter of 2020. The number of full-time equivalent employees increased from approximately 224 at September 30, 2020 to approximately 259 at September 30, 2021 for an increase of approximately 15.63%.

Noninterest expense for the nine months ended September 30, 2021 totaled $31.8 million compared with $26.7 million for the same period of 2020. The increase was primarily a result of increases in salaries and employee benefits expense. Salaries and employee benefits increased $3.7 million, or 23.21%, to $19.7 million in the first nine months of 2021 from $16.0 million in the first nine months of 2020.

Provision for Income Taxes

We recognized income tax expense of $1.9 million for the three months ended September 30, 2021, compared to $1.1 million for the three months ended September 30, 2020. The effective tax rate for the three months ended September 30, 2021 was 21.6% compared to 21.1% for the same period in 2020. 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 $5.5 million for the nine months ended September 30, 2021, compared to $2.9 million for the nine months ended September 30, 2020. The increase of $2.5 million, or 86.25%, resulted from the increase in net income before taxes of $10.8 million in the first nine months of 2021 as compared to the first nine months of 2020. The effective tax rate for the nine months ended September 30, 2021 was 21.8% compared to 20.5% for the same period in 2020. 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 September 30, 2021 and December 31, 2020

Overview

Our total assets increased $444.7 million, or 23.85%, from December 31, 2020 to September 30, 2021. Loans, net of deferred fees and discounts, increased $51.1 million, or 4.31%, from December 31, 2020 to September 30, 2021. Securities available-for-sale increased by $356.0 million, or 72.18%, from December 31, 2020 to September 30, 2021. Cash and cash equivalents increased $11.1 million, or 18.50% from December 31, 2020 to September 30, 2021. Total deposits increased $413.6 million, or 25.01%, from December 31, 2020 to September 30, 2021 which funded our loan growth and purchase of securities. Total stockholders' equity increased $13.9 million, or 8.34% from December 31, 2020 to September 30, 2021 primarily due to strong earnings of $19.6 million during the period. Stockholders' equity was reduced approximately $3.3 million due to a decrease in the net unrealized gain on securities available-for-sale and $2.6 million due to the dividend paid in the first quarter.

Investment Securities

We use our securities portfolio primarily to enhance our overall yield on interest-earning assets, as a source of liquidity, as a tool to manage our balance sheet sensitivity and regulatory capital ratios, and as a base from which to pledge assets for public deposits. When our liquidity position exceeds current needs and our expected loan demand, other investments are considered as a secondary earnings alternative. As investments mature or pay down, they are used to meet current cash needs, or they are reinvested to maintain our desired liquidity position. We have historically designated all our securities as available-for-sale to provide flexibility in case an immediate need for liquidity arises, and we believe that the composition of the portfolio offers needed flexibility in managing our liquidity position and interest rate sensitivity without adversely impacting our regulatory capital levels. However, on a case by case basis we will evaluate whether a security is better suited being classified as held-to-maturity. Securities available-for-sale are reported at fair value, with unrealized gains or losses reported as a separate component of other comprehensive income, net of deferred taxes. Held-to-maturity securities 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 nine months ended September 30, 2021, we purchased investment securities totaling $481.7 million and sold investment securities with proceeds received of $4.4 million including net realized gains of $7 thousand.

The following tables summarize the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of debt securities at September 30, 2021 and December 31, 2020 (amounts in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2021:				
Securities available-for-sale:				
Residential mortgage-backed	$ 615,955	$ 3,929	$ (2,631)	$ 617,253
U.S. treasury securities	97,474	52	(155)	97,371
U.S. govt. sponsored enterprises	26,381	835	-	27,216
State, county, and municipal	93,552	4,740	(93)	98,199
Corporate debt obligations	9,225	69	(18)	9,276
Total available-for-sale	$ 842,587	$ 9,625	$ (2,897)	$ 849,315

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2021:				
Securities held-to-maturity:				
Residential mortgage-backed	$ -	$ -	$ -	$ -
U.S. treasury securities	-	-	-	-
U.S. govt. sponsored enterprises	-	-	-	-
State, county, and municipal	10,936	2	(119)	10,819
Corporate debt obligations	-	-	-	-
Total held-to-maturity	$ 10,936	$ 2	$ (119)	$ 10,819

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020:				
Securities available-for-sale:				
Residential mortgage-backed	$ 346,001	$ 5,034	$ (438)	$ 350,597
U.S. govt. sponsored enterprises	34,963	1,272	(4)	36,231
State, county, and municipal	98,026	5,220	(17)	103,229
Corporate debt obligations	3,166	51	-	3,217
Total available-for-sale	$ 482,156	$ 11,577	$ (459)	$ 493,274

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 $1.22 billion during the three months ended September 30, 2021, or 57.7% of average interest earning assets, as compared to $1.16 billion, or 72.0% of average interest earning assets, for the three months ended September 30, 2020. At September 30, 2021, total loans, net of deferred loan fees and discounts, were $1.24 billion, compared to $1.19 billion at December 31, 2020, an increase of $51.1 million, or 4.31%.

The organic, or non-acquired, growth in our loan portfolio is attributable to our ability to attract new customers from other financial institutions and overall growth in our markets. Much of our loan growth has come from moving customers from other financial institutions to River Bank. We have also been successful in building banking relationships with new customers. We have hired several new bankers in the markets that we serve, and these employees have been successful in transitioning their former clients and attracting new clients to River Bank. Our bankers are expected to be involved in their communities and to maintain business development efforts to develop 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 September 30, 2021, and December 31, 2020.

	September 30, 2021		December 31, 2020	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 295,527	24.3%	$ 252,528	21.6%
Closed-end 1-4 family - junior lien	6,151	0.5%	8,343	0.7%
Multi-family	10,570	0.8%	10,817	0.9%
Total residential real estate	312,248	25.6%	271,688	23.2%
Commercial real estate:				
Nonfarm nonresidential	341,837	28.1%	317,279	27.1%
Farmland	41,034	3.4%	34,586	3.0%
Total commercial real estate	382,871	31.5%	351,865	30.1%
Construction and land development:				
Residential	89,556	7.4%	71,784	6.1%
Other	92,549	7.6%	78,818	6.7%
Total construction and land development	182,105	15.0%	150,602	12.8%
Home equity lines of credit	47,942	3.9%	43,424	3.7%
Commercial loans:				
Other commercial loans	208,503	17.0%	279,385	23.9%
Agricultural	44,753	3.7%	29,854	2.6%
State, county, and municipal loans	23,528	1.9%	25,922	2.2%
Total commercial loans	276,784	22.6%	335,161	28.7%
Consumer loans	42,780	3.5%	40,646	3.5%
Total gross loans	1,244,730	102.1%	1,193,386	102.0%
Allowance for loan losses	(20,047)	-1.6%	(16,803)	-1.4%
Net discounts	(541)	0.0%	(1,010)	-0.1%
Net deferred loan fees	(6,458)	-0.5%	(5,794)	-0.5%
Net loans	$ 1,217,684	100.0%	$ 1,169,779	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 September 30, 2021, this category totaled $877.2 million, or 70.47% of total gross loans, compared to $774.2 million, or 64.87%, at December 31, 2020. Real estate loans increased $103.0 million, or 13.30%, during the period December 31, 2020 to September 30, 2021. Commercial loans decreased $58.4 million, or 17.42% 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.

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 Nine Months Ended:	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Allowance for loan losses at beginning of period	$ 18,913	$ 13,480	$ 16,803	$ 8,679
Charge-offs:				
Mortgage loans on real estate:				
Residential real estate	4	-	105	52
Commercial real estate	4	-	181	-
Construction and land development	2	59	2	59
Total mortgage loans on real estate	10	59	288	111
Home equity lines of credit	-	-	-	-
Commercial	170	73	254	232
Consumer	27	10	56	94
Total	207	142	598	437
Recoveries:				
Mortgage loans on real estate:				
Residential real estate	60	1	60	6
Commercial real estate	-	9	35	17
Construction and land development	3	12	7	109
Total mortgage loans on real estate	63	22	102	132
Home equity lines of credit	-	-	-	19
Commercial	57	49	122	108
Consumer	34	8	60	34
Total	154	79	284	293
Net charge-offs	53	63	314	144
Provision for loan losses	1,187	2,916	3,558	7,798
Allowance for loan losses at end of period	$ 20,047	$ 16,333	$ 20,047	$ 16,333
Total loans outstanding, net of deferred loan fees	1,237,731	1,191,368	1,237,731	1,191,368
Average loans outstanding, net of deferred loan fees	1,224,244	1,164,557	1,210,272	1,053,457
Allowance for loan losses to period end loans	1.62%	1.37%	1.62%	1.37%
Net charge-offs to average loans (annualized)	0.02%	0.02%	0.03%	0.02%

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).

	September 30, 2021		December 31, 2020	
	Amount	Percent of Total	Amount	Percent of Total
Mortgage loans on real estate:				
Residential real estate	$ 2,160	10.8%	$ 1,676	10.0%
Commercial real estate	8,428	42.1%	6,807	40.5%
Construction and land development	2,569	12.8%	1,749	10.4%
Total mortgage loans on real estate	13,157	65.7%	10,232	60.9%
Home equity lines of credit	347	1.7%	268	1.6%
Commercial	6,217	31.0%	5,897	35.1%
Consumer	326	1.6%	406	2.4%
Total	$ 20,047	100.0%	$ 16,803	100.0%

Nonperforming Assets

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

	September 30,		December 31,
	2021	2020	2020
Nonaccrual loans	$ 2,515	$ 3,356	$ 4,264
Accruing loans past due 90 days or more	123	54	398
Total nonperforming loans	2,638	3,410	4,662
Foreclosed assets	650	471	240
Total nonperforming assets	$ 3,288	$ 3,881	$ 4,902
Allowance for loan losses to period end loans	1.62%	1.37%	1.42%
Allowance for loan losses to period end nonperforming loans	759.93%	478.97%	360.42%
Net charge-offs (recoveries) to average loans (annualized)	0.03%	0.02%	0.05%
Nonperforming assets to period end loans and foreclosed property	0.27%	0.33%	0.41%
Nonperforming loans to period end loans	0.21%	0.29%	0.39%
Nonperforming assets to total assets	0.14%	0.22%	0.26%
Period end loans	1,237,731	1,191,368	1,186,582
Period end total assets	2,309,314	1,781,624	1,864,650
Allowance for loan losses	20,047	16,333	16,803
Average loans for the period	1,210,272	1,053,457	1,087,007
Net charge-offs for the period	314	144	491
Period end loans plus foreclosed property	1,238,381	1,191,839	1,186,822

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 September 30, 2021, and December 31, 2020.

	September 30, 2021		December 31, 2020	
	Amount	Percent of Total	Amount	Percent of Total
Demand deposits, non-interest bearing	$ 568,220	27.4%	$ 436,885	26.4%
Demand deposits, interest bearing	519,023	25.1%	377,745	22.8%
Money market accounts	575,884	27.9%	473,714	28.6%
Savings deposits	116,938	5.7%	89,914	5.4%
Time certificates of $250 thousand or more	104,873	5.1%	96,839	5.9%
Other time certificates	182,322	8.8%	178,538	10.9%
Totals	$ 2,067,260	100.0%	$ 1,653,635	100.0%

Total deposits were $2.07 billion at September 30, 2021, an increase of $413.6 million from December 31, 2020 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. However, the third round of stimulus checks were sent out in mid-March which led to an increase in deposits from year-end when we would normally see a decrease from year-end.

The following table presents the Bank's time certificates of deposits by various maturities as of September 30, 2021 (amounts in thousands).

	All Time Deposits	Time Deposits $100 or more	Time Deposits less than $100
Three months or less	$ 61,923	$ 42,165	$ 19,758
Greater than three months through six months	82,579	63,167	19,412
Greater than six months through one year	88,082	61,654	26,428
Greater than one year through three years	30,992	20,488	10,504
Greater than three years	23,619	18,107	5,512
Total	$ 287,195	$ 205,581	$ 81,614

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 September 30, 2021, the FHLB line of credit available was $253.0 million and at December 31, 2020 it was $214.4 million. As of September 30, 2021 and December 31, 2020, we have no Federal Home Loan Bank advances outstanding. We also have lines of credit for federal funds borrowings with other banks that totaled $38.5 million at September 30, 2021 and December 31, 2020, respectively. Furthermore, we have pledged certain loans to the Federal Reserve Bank (FRB) to secure a line of credit. At September 30, 2021, the FRB line of credit available was $137.3 million and at December 31, 2020, the FRB line of credit available was $123.3 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 October 31, 2018, the Company entered into a loan agreement with CenterState Bank for $27 million. The loan proceeds were drawn and received by the Company on October 31, 2018. The loan proceeds were used to fund the payment of the cash consideration to the PSB Bancshares, Inc. shareholders of $24.5 million in accordance with the PSB merger agreement and for general corporate purposes. The loan carried a fixed interest rate of 6%. The loan was secured by all of the common stock of the Bank. The balance at December 31, 2020 was $20.4 million. This note was paid off in March 2021 when the Company issued a private placement of $40 million fixed-to-floating rate subordinated debentures in March 2021 which are described in detail below.

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 September 30, 2021 and December 31, 2020, were $71.4 million and $60.3 million, respectively. Based on recorded cash and cash equivalents, management believes River Financial Corporation's liquidity resources were sufficient at September 30, 2021 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 September 30, 2021 and December 31, 2020 were as follows (amounts in thousands):

	September 30, 2021	December 31, 2020
Commitments to extend credit	$ 288,660	$ 246,700
Stand-by and performance letters of credit	2,366	2,659
Total	$ 291,026	$ 249,359

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 September 30, 2021 (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	$ 1,780,065	$ -	$ -	$ -	$ 1,780,065
Certificates of deposit of less than $100	65,598	10,504	5,512	-	81,614
Certificates of deposit of $100 or more	166,986	20,488	18,107	-	205,581
Securities sold under agreements to repurchase	9,432	-	-	-	9,432
Subordinated debt, net of loan costs	-	-	-	39,325	39,325
Operating leases	684	1,201	507	422	2,814
Total contractual obligations	$ 2,022,765	$ 32,193	$ 24,126	$ 39,747	$ 2,118,831

Capital Position and Dividends

At September 30, 2021 and December 31, 2020, total stockholders' equity was $180.3 million and $166.4 million, respectively. The increase of approximately $13.9 million resulted mainly from the net change in retained earnings and other comprehensive income for the nine months ended September 30, 2021. Retained earnings for the first nine months of 2021 increased $17.0 million and other comprehensive income decreased $3.3 million. The ratio of stockholders' equity to total assets was 7.81% and 8.93% at September 30, 2021 and December 31, 2020, 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 September 30, 2021, 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 September 30, 2021 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 September 30, 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)	$ 197,134	14.143%	$ 146,360	>= 10.500%	$ 139,390	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	179,678	12.890%	97,573	>= 7.000%	90,604	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	179,678	12.890%	118,482	>= 8.500%	111,512	>= 8.00%
Tier 1 Capital (To Average Assets)	179,678	8.074%	89,020	>= 4.000%	111,275	>= 5.00%

Management believes, as of December 31, 2020, 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, 2020 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, 2020:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (To Risk-Weighted Assets)	$ 161,566	13.548%	$ 125,219	>= 10.500%	$ 119,256	>= 10.00%
Common Equity Tier 1 Capital (To Risk-Weighted Assets)	146,636	12.296%	83,479	>= 7.000%	77,516	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	146,636	12.296%	101,368	>= 8.500%	95,405	>= 8.00%
Tier 1 Capital (To Average Assets)	146,636	8.229%	71,277	>= 4.000%	89,096	>= 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 September 30, 2021, the maximum amount the Bank could dividend to River Financial Corporation without prior regulatory authority approval was approximately $51.8 million. In addition to dividend restrictions, federal statutes prohibit unsecured loans from banks to bank holding companies.

During the nine months ending September 30, 2021 there were 6,500 incentive stock options issued with a weighted average exercise price of $26.77 per share. During the same period, there were 34,121 incentive stock options exercised at a weighted average exercise price of $17.31 per share. A total of 369,629 incentive stock options were outstanding as of September 30, 2021 with a weighted average exercise price of $22.95 per share and a weighted average remaining life of 6.16 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 September 30, 2021, 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	$264,609	$114,646	$229,098	$168,449	$122,499	$338,430	$1,237,731
Securities	16,124	30,621	105,880	105,577	79,092	522,957	860,251
Certificates of deposit in banks	-	704	498	495	1,740	223	3,660
Cash balances in banks	33,977	-	-	-	-	-	33,977
Federal funds sold	9,500	-	-	-	-	-	9,500
Total interest earning assets	$324,210	$145,971	$335,476	$274,521	$203,331	$861,610	$2,145,119
Interest bearing liabilities							
Interest bearing transaction accounts	$108,137	$ 8,666	$ 38,994	$ 51,993	$ 51,993	$259,240	$ 519,023
Savings and money market accounts	215,644	15,594	70,167	93,558	93,558	204,301	692,822
Time deposits	19,995	42,298	168,975	21,253	8,893	25,781	287,195
Securities sold under agreements to repurchase	9,432	-	-	-	-	-	9,432
Subordinated debentures, net of loan costs	-	-	-	-	-	39,325	39,325
Total interest bearing liabilities	$353,208	$ 66,558	$278,136	$166,804	$154,444	$528,647	$1,547,797
Interest sensitive gap							
Period gap	$ (28,998)	$ 79,413	$ 57,340	$107,717	$ 48,887	$332,963	$ 597,322
Cumulative gap	$ (28,998)	$ 50,415	$107,755	$215,472	$264,359	$597,322	
Cumulative gap - Rate Sensitive Assets/ Rate Sensitive Liabilities	-1.4%	2.4%	5.0%	10.0%	12.3%	27.8%	

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 September 30, 2021	As of December 31, 2020
Change in prevailing rates:		
+ 400 basis points	4.25%	(7.80)%
+ 300 basis points	3.76%	(5.16)%
+ 200 basis points	2.81%	(3.53)%
+ 100 basis points	1.19%	(2.19)%
+ 0 basis points	-	-
- 100 basis points	(1.80)%	1.57%
- 200 basis points	(1.97)%	1.44%
- 300 basis points	(2.01)%	1.35%
- 400 basis points	(2.04)%	1.30%

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 September 30, 2021, 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 nine months ended September 30, 2021 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

From time to time the Company is a party to legal proceedings. At the present time the Company is not part of any proceeding which the Company deems to be material.

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, 2020 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 September 30, 2021. 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, 2020 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. 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, and account maintenance fees. 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 we 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 can 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 February 2021, the Company sold 22,661 shares of its common stock for a cash total of $629 thousand to its employee stock ownership plan. In June 2021, the Company sold 14,444 shares of its common stock for a cash total of $419 thousand to its employee stock ownership plan. The Company relied upon exemptions from registration under SEC 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.

Exhibit Number	Description
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.
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: November 9, 2021

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

Date: November 9, 2021

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

LOAN AND SECURITY AGREEMENT

By and Between

RIVER FINANCIAL CORPORATION

and

SERVISFIRST BANK

August 9, 2021

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "Agreement") is made and entered into as of August 9, 2021, by and between **RIVER FINANCIAL CORPORATION**, a corporation organized under the laws of the State of Alabama ("Borrower"), and **SERVISFIRST BANK**, an Alabama banking corporation ("Lender").

W I T N E S S E T H:

Borrower has requested that Lender extend to the Borrower a revolving line of credit in the maximum principal amount of up to $10,000,000 (the "Loan"), and Lender is willing to make the Loan upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, each intending to be legally bound hereby, agree as follows:

ARTICLE 1. DEFINITIONS

Section 1.01. Defined Terms. As used herein:

"Advance" means each loan of money or credit made to Borrower by Lender under the Commitment.

"Affiliate" or "Affiliates" shall mean any Person (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, Borrower, or (ii) five percent (5%) or more of the equity interest of which is held beneficially or of record by Borrower. The term "control" means the possession, directly or indirectly, of the power to cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Loan and Security Agreement, as amended or supplemented from time to time.

"Capital" means, with respect to the Subsidiary Bank, the "tier 1 capital" of the Subsidiary Bank, as reported on Schedule RC-R of the Subsidiary Bank's most recent quarterly call report.

"Change in Control" means either (i) the acquisition by any Person or any group of Persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of beneficial ownership, directly or indirectly, of 40% or more of the outstanding shares of voting stock of Borrower or (ii) Borrower ceases to own 100% of the outstanding shares of voting stock of the Subsidiary Bank.

"Collateral" is defined in Section 4.01 of this Agreement.

"Collateral Documents" means the documents specified in Section 3.01(B) - (D).

"Commitment" means Lender's commitment to lend to Borrower up to the sum of $10,000,000 in principal amount outstanding from time to time pursuant to, and subject to, the terms of this Agreement.

"Default" means any event described in Section 7.01.

"ERISA" means the Employee Retirement Security Act of 1974, as amended.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted principles of accounting in the United States in effect from time to time applied in a manner consistent with those used in preparing such financial statements as have theretofore been furnished to Lender by Borrower.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, which has or asserts jurisdiction over Lender, Borrower or any of its Subsidiaries, or over the property of any of them.

"Indebtedness" means all items of indebtedness, obligation or liability, whether matured or unmatured, liquidated or unliquidated, direct or contingent, joint or several, including, but without limitation:

(A) All indebtedness guaranteed, directly or indirectly, in any manner, or endorsed (other than for collection or deposit in the ordinary course of business) or discounted with recourse;

(B) All indebtedness in effect guaranteed, directly or indirectly, through agreements, contingent or otherwise:

(1) to purchase such indebtedness; or

(2) to purchase, sell or lease (as lessee or lessor) property, products, materials or supplies or to purchase or sell services primarily for the purpose of enabling the debtor to make payment of such indebtedness or to assure the owner of the indebtedness against loss; or

(3) to supply funds to or in any other manner invest in the debtor.

(C) All indebtedness secured by (or for which the holder of such indebtedness has a right, contingent or otherwise, to be secured by) any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance upon property owned or acquired subject thereto, whether or not the liabilities secured thereby have been assumed; and

(D) All indebtedness incurred as the lessee of goods or services under leases that, in accordance with Generally Accepted Accounting Principles, should not be reflected on the lessee's balance sheet.

"Interest Rate" is defined in Section 2.05(A)(1) of this Agreement.

"Laws" means all ordinances, statutes, rules, regulations, orders, injunctions, writs or decrees of any governmental or political subdivision or agency thereof, or any court or similar entity established by any thereof.

"Loan" has the meaning set forth in the recitals of this Agreement.

"Maturity Date" means the earlier of August 9, 2023, or the date the maturity of the Note is accelerated pursuant to Section 7.02 of this Agreement.

"Non-Performing Assets" means, with respect to the Subsidiary Bank, the sum of (a) the Subsidiary Bank's loans and leases which are on nonaccrual status, (b) the Subsidiary Bank's loans and leases which are at least ninety (90) days past due, (c) all other non-performing loans and leases of the Subsidiary Bank, (d) the other real estate owned by the Subsidiary Bank, and (e) all other non-performing assets of the Subsidiary Bank.

"Non-Use Fee" has the meaning set forth in Section 2.08 of this Agreement.

"Non-Performing Assets Ratio" means, with respect to the Subsidiary Bank, the ratio of the Subsidiary Bank's Non-Performing Assets to the Subsidiary Bank's Capital plus Reserves.

"Note" means the Revolving Note of even date herewith, in the principal amount of $10,000,000, made by Borrower to evidence Borrower's obligation to repay the Loan and the interest thereon and includes any amendment to such Note and any promissory note given in extension or renewal of, or in substitution for, such Note evidencing Borrower's obligation to repay the Loan.

"Obligations" means all of the following.

(A) The Obligation of Borrower to pay the principal of and interest on the Note in accordance with the terms thereof, and to satisfy all of its other liabilities to Lender, whether hereunder or otherwise (including, without limitation, under any swap or other hedging agreement made by Borrower with or in favor of Lender), whether now existing or hereafter incurred, matured or unmatured, direct or contingent, joint or several, including any extensions, modifications, renewals thereof and substitutions therefor.

(B) The Obligation of Borrower to repay to Lender all amounts advanced by Lender hereunder or otherwise on behalf of Borrower, including, but without limitation, advances for principal or interest payments to prior secured parties, mortgagees, or lienors, or for taxes, levies, insurance, rent, repairs to or maintenance or storage of any of the Collateral.

(C) The Obligation of Borrower to reimburse Lender, on demand, for all of Lender's expenses and costs, including the reasonable fees and expenses of its counsel, in connection with the preparation, administration, amendment, modifications, or enforcement of this Agreement and the documents required hereunder, including, without limitation, any proceeding brought or threatened to enforce payment of any of the obligations referred to in the foregoing paragraphs (A) and (B).

(D) The Obligation of Borrower to comply with the terms of this Agreement, the Note and the Collateral Documents.

"Origination Fee" means the fee payable by Borrower to Lender in an amount equal to five basis points (0.05%) of the Commitment which amount is agreed to be $5,000.

"Person" means any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, court, or government or political subdivision or agency thereof.

"Pledge Agreement" means that certain Pledge Agreement of even date herewith pursuant to which Lender is granted a security interest in the Pledged Stock.

"Pledged Stock" means fifty-one percent (51%) of the capital stock of the Subsidiary Bank.

"Potential Default" means an event of default which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Prime Rate" means the rate designated as such in the "Money Rates" section of The Wall Street Journal (or any generally recognized successor) on any particular day. The Prime Rate is not necessarily the lowest interest rate charged by Lender.

"Records" means instruments, agreements, correspondence, memoranda, tapes, discs, papers, books and other documents, or transcribed information of any type, whether express in ordinary or machine language, and all filing cabinets and other containers in which the foregoing is stored or maintained.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as now or from time to time hereafter in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reserves" means, with respect to the Subsidiary Bank, the "allowance for loan and lease losses" of the Subsidiary Bank as reported on Schedule RC of the Subsidiary Bank's most recent quarterly call report.

"Return on Assets Ratio" means, with respect to the Subsidiary Bank, the ratio of (a) year-to-date "net income" of the Subsidiary Bank for the current calendar year, as reported on Schedule RI of the Subsidiary Bank's most recent quarterly call report, annualized over the current calendar year, to (b) average "total assets" as reported on Schedule RC-K of the Subsidiary Bank's most recent quarterly call report.

"Subsidiary" means any corporation, including but not limited to the Subsidiary Bank, of which more than fifty-one percent (51%) of the outstanding voting securities shall, at the time of determination, be owned directly, or indirectly through one or more intermediaries, by Borrower.

"Subsidiary Bank" means River Bank & Trust, a banking corporation organized under the laws of the State of Alabama, which is a wholly-owned Subsidiary of Borrower.

"Tier 1 Leverage Ratio" means, with respect to the Subsidiary Bank, the tier 1 leverage ratio as defined by the capital maintenance regulations of the primary federal bank regulatory agency of the Subsidiary Bank and reported on Schedule RC-R of the Subsidiary Bank's most recent quarterly call report.

Section 1.02 Construction. All accounting terms used herein shall have their customary meanings under, and shall be construed in accordance with, GAAP.

Section 1.03 UCC Definitions. All other capitalized terms contained in this Agreement shall, unless otherwise defined herein or unless the context otherwise indicates, have their respective meanings under the Uniform Commercial Code of Alabama.

ARTICLE 2. THE LOAN

Section 2.01. General Terms.

(A) Subject to the terms and conditions of this Agreement, Lender will lend to Borrower the principal sum of up to $10,000,000 on a revolving basis. Lender shall make Advances under such Loan from time to time until the Maturity Date.

(B) Subject to the terms hereof, Borrower may borrow, repay without penalty or premium, and reborrow under the Loan, from the date of this Agreement until the Maturity Date. If at any time the unpaid principal balance of the Loan exceeds the Commitment, Borrower shall immediately and without demand pay such sums to Lender as are necessary to reduce the principal balance of the Loan to not more than the Commitment.

Section 2.02. The Note. On the date hereof, Borrower will execute and deliver the Note to Lender to evidence Borrower's Obligations to repay the Loan and the interest thereon.

Section 2.03. Use of Proceeds; Disbursement of the Loan. Borrower will use the proceeds of the Loan solely (a) for general working capital purposes, (b) to reimburse Lender for any expenses incurred by Lender in connection with making the Loan, and (c) to otherwise pay Lender sums due to Lender under this Agreement or the other instruments, agreements and documents related to this Agreement.

Section 2.04. Payments of Principal. If not earlier demanded pursuant to Section 7.02 hereof, the outstanding principal balance of each Advance made under the Loan shall be due and payable to Lender on the Maturity Date.

Section 2.05. Interest Rate and Payments of Interest.

(A) Interest shall be calculated and paid as follows:

(1) Interest on the principal balance of the Loan from time to time outstanding will be payable at a per annum rate (the "Interest Rate") equal to the greater of (i) the

Prime Rate in effect from time to time; or (ii) a floor rate of three and twenty-five hundredths percent (3.25%).

(2) Each time a change to the Prime Rate occurs, the Interest Rate shall change concurrently with such change in the Prime Rate.

(3) Interest shall be calculated on the basis of a 360-day year, by multiplying the product of the principal amount outstanding and the applicable rate by the actual number of days elapsed, and dividing by 360, and shall be payable quarterly in arrears, on the 1st day of each and every calendar quarter (that is, on January 1, April 1, July 1, and October 1) commencing with the first calendar quarter following the first Advance and continuing on the 1st day of each calendar quarter thereafter until the outstanding principal balance of all Advances have been repaid in full, with the final payment of accrued and unpaid interest due and payable on the Maturity Date.

(B) If, at any time, the Interest Rate shall be deemed by any competent Governmental Authority to exceed the maximum rate of interest permitted by any applicable Laws, then, for such time as the Interest Rate would be deemed excessive, its application shall be suspended and there shall be charged instead the maximum rate of interest permissible under such Laws.

Section 2.06. Payment to Lender. All sums payable to Lender under the Loan shall be paid directly to Lender in United States Dollars and immediately available funds. If Lender shall send to Borrower statements of amounts due hereunder, such statements shall be considered correct and conclusively binding on Borrower unless Borrower notifies Lender to the contrary within thirty (30) days of its receipt of any statement which it deems to be incorrect. Alternatively, at its sole discretion, Lender may charge against any deposit account of Borrower all or any part of any amount due hereunder.

Section 2.07. Late Fee/Default Rate of Interest. Borrower promises to pay to Lender a late fee equal to three percent (3.00%) of the amount of each installment of principal and/or installment of interest which is received more than ten (10) days after the due date thereof; provided, however, that such late fee shall not be less than $20.00 nor more than the maximum amount (if any) permitted by law. The principal balance of the Loan outstanding after maturity (whether by acceleration or otherwise) shall bear interest at a per annum rate of interest equal to two percent (2.00%) plus the otherwise applicable Interest Rate and shall be calculated pursuant to Section 2.05 hereof. This section does not extend any payment due date expressly stated in this Agreement or any Collateral Document and does not in any way prevent or estop Lender from requiring that payments be made by Borrower strictly when due. Unless accepted by Lender, and unless accompanied by all other amounts then due to Lender, the tender of such payment by Borrower shall not cure the Default arising from the payment default upon which such late charge was assessed.

Section 2.08. Non-Use Fee. Borrower shall pay on an annual basis in arrears to Lender a non-use fee equal to .10% (10 bps) multiplied by the average unused principal amount of the Commitment for the applicable 12-month period (the "Non-Use Fee"), which amount shall be payable no later than 15 days following the first anniversary date of this Agreement. The Non-Use Fee shall be waived if (i) as of the date of calculation, no Default or Potential Default shall have occurred and be continuing and (ii) Borrower has been obligated under the Loan for $5,000,000 or more for at least six (6) consecutive calendar months of each applicable twelve (12) month period for the life of the Loan.

Section 2.09. Origination Fee. On the date hereof, Borrower shall pay to the Lender the Origination Fee.

ARTICLE 3. CONDITIONS PRECEDENT

The obligation of Lender to make the Loan hereunder is subject to the following conditions precedent:

Section 3.01 Conditions to the Loan. Prior to the initial disbursement of the Loan, Borrower shall have delivered to Lender the following:

(A) the duly executed Note;

(B) the duly executed Pledge Agreement;

(C) original certificate representing the Pledged Stock, accompanied by a stock power endorsed in blank;

(D) if requested by Lender, the financing statements described in Section 4.05;

(E) copies, certified as of the date of this Agreement by Borrower's corporate secretary, of resolutions of Borrower's board of directors authorizing the execution, delivery and performance of this Agreement, the Note, the Collateral Documents, and each other document to be delivered pursuant hereto;

(F) copies, certified as of the date of this Agreement by their respective corporate secretaries, of the articles of incorporation of Borrower and the Subsidiary Bank, together with a certificate (dated the date of this Agreement) of the their respective corporate secretaries to the effect that such articles of incorporation have not been amended except as provided in such articles;

(G) copies, certified as of the date of this Agreement by their respective corporate secretaries, of the bylaws of Borrower and the Subsidiary Bank, together with a certificate (dated the date of this Agreement) of the their respective corporate secretaries to the effect that such bylaws have not been amended except as provided in such bylaws;

(H) a certificate (dated the date of this Agreement) of Borrower's corporate secretary as to the incumbency and signatures of the officers of Borrower signing this Agreement, the Note, the Collateral Documents, and each other document to be delivered pursuant hereto;

(I) certificates, as of the most recent dates practicable, of the secretary of state and department of commerce, respectively of the state of incorporation of Borrower and the Subsidiary Bank as to the existence and good standing of Borrower and the Subsidiary Bank;

(J) an opinion of counsel to Borrower that Borrower has all necessary authority to enter into this Agreement and perform its obligations hereunder and this Agreement is a valid obligation of Borrower enforceable and binding in accordance with its terms subject to customary bankruptcy qualifications;

(K) receipt by Lender of such financial information, projections, budgets, business plans, cash flows and such other information as Lender may reasonably request, and Lender must be reasonably satisfied that such information fairly presents the business and financial condition of Borrower and does not contain material misstatements or omissions of material facts.

(L) evidence acceptable to Lender that Borrower and the Subsidiary Bank have received all necessary regulatory approvals (or that no regulatory approvals are necessary) for (i) Borrower to obtain the Loan, (ii) Borrower and the Subsidiary Bank to enter into and perform their Obligations under this Agreement and the Collateral Documents, and (iii) payment by the Subsidiary Bank of dividends to Borrower in amounts sufficient to comply with the repayment terms of the Loan;

(M) such other documentation as Lender shall require regarding Borrower or the Subsidiary Bank, including, without limitation, opinions and certificates of Borrower's independent certified public accountants, appraisals, reports of other independent consultants selected by Lender, and certificates of Borrower's officers.

Section 3.02 Conditions to Each Advance. Without limiting the foregoing, at the time of each Advance under the Loan, Borrower shall have furnished such information to Lender as Lender shall reasonably request to evidence that (a) the proceeds of such Advance will be used for the purposes permitted hereunder, and (b) the use of the proceeds in such manner will not cause or bring about a Default or Potential Default hereunder.

Section 3.03 Certain Events. Without limiting the foregoing, at the time of the disbursement of each Advance:

(A) No Default or Potential Default shall have occurred and be continuing;

(B) The Collateral Documents shall be in full force and effect;

(C) The Subsidiary Bank's call report for the most recently-ended calendar quarter, filed by the Subsidiary Bank with any applicable regulatory authority, shall have been delivered to Lender;

(D) All representations and warranties set forth in Article 5 shall be true and correct as of the time of such disbursement; and

(E) There shall have been no material adverse change in the consolidated financial condition or business of Borrower or the Subsidiary Bank (measured against the most current financial statements of Borrower and the Subsidiary Bank delivered to or otherwise reviewed by Lender prior to the date of this Agreement).

Section 3.04 Legal Matters. At the time of the disbursement of each Advance, all legal matters necessary to preserve and perfect Lender's security interest in the Collateral and Borrower's obligation to repay the Loan shall be satisfactory to Lender and its counsel.

Section 3.05 Deposit Accounts. Borrower or the Subsidiary Bank shall maintain a deposit account with Lender and will allow Lender to bid on additional mutually beneficial correspondent services.

ARTICLE 4. COLLATERAL SECURITY

Section 4.01 Composition of the Collateral. The property in which a security interest is granted pursuant to Section 4.03 is herein collectively called the "Collateral." The Collateral, together with all of Borrower's other property of any kind held by Lender, shall stand as one general, continuing collateral security for all Obligations and may be retained by Lender until all Obligations have been satisfied in full.

Section 4.02 [Reserved].

Section 4.03 Security Interest in the Pledged Stock. As security for the prompt satisfaction of all Obligations, Borrower hereby assigns and transfers to Lender all of its rights, title and interest in and to, and grants Lender a lien upon and security interest in, all of the Pledged Stock, whether now owned or hereafter acquired, together with all replacements therefor and all proceeds thereof, and all Records pertaining to any of the Collateral.

Section 4.04 Priority of Liens. The foregoing liens shall be first and prior liens on the Pledged Stock and other Collateral.

Section 4.05 Financing Statements.

(A) Borrower:

(1) Hereby authorizes the filing of such financing statements (including amendments thereto and continuation statements thereof) in form satisfactory to Lender as Lender may hereafter specify in order to perfect Lender's lien on and security interest in the Collateral;

(2) Will pay or reimburse Lender for all costs and taxes of filing or recording such financing statements (including amendments thereto and continuation statements thereof) in form satisfactory to Lender as Lender may hereafter specify, provided such financing statements are consistent with the provisions of this Agreement; and

(3) Will take such other commercially reasonable steps as Lender may direct to perfect Lender's interest in the Collateral.

(B) In addition to the foregoing, and not in limitation thereof:

(1) A carbon, photographic, or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate public office in lieu thereof; and

(2) To the extent lawful, Borrower hereby appoints Lender as its attorney-in-fact (without requiring Lender to act as such) for the sole purpose of filing any financing statement and any amendment thereto in the name of Borrower, and to perform all other acts that Lender reasonably deems appropriate to perfect and continue its security interest in, and to protect and preserve, the Collateral.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES

Section 5.01 Original. To induce Lender to enter into this Agreement, Borrower represents and warrants to Lender as follows:

(A) Borrower owns 100% of the outstanding capital stock of the Subsidiary Bank;

(B) Borrower is a corporation duly organized, validly existing and in good standing under the Laws of the state of its formation; the Subsidiary Bank is a corporation duly organized, validly existing and in good standing under the Laws of the state of its formation; Borrower and the Subsidiary Bank have the lawful power to own their properties and to engage in the business they conduct, and are duly qualified and in good standing as foreign corporations in the jurisdictions wherein the nature of the business transacted by them or property owned by them make such qualification necessary; the states in which Borrower and the Subsidiary Bank are qualified to do business are set forth in Exhibit B; the addresses of Borrower's and the Subsidiary Bank's respective principal places of business are set forth in Exhibit B; and as of the date of this Agreement, neither Borrower nor the Subsidiary Bank has changed its name, been the surviving corporation in a merger, acquired any business, within three (3) years and one (1) month prior to the date hereof;

(C) Neither Borrower nor the Subsidiary Bank is in material default with respect to any of its existing Indebtedness, or under any material lease, contract or commitment of any kind, and, to Borrower's knowledge, all parties (including Borrower and the Subsidiary Bank) to all such material leases, contracts and other commitments to which Borrower or the Subsidiary Bank is a party (expressly excluding any lease, contract or commitment made with a customer of Subsidiary Bank in the ordinary course of Subsidiary Bank's business) are in material compliance with the provisions of such leases, contracts and other commitments;

(D) The making and performance of this Agreement, the Note, and the Collateral Documents will not (immediately, or with the passage of time, or with the giving of notice):

(1) Violate any provision of the articles of incorporation or bylaws of Borrower or the Subsidiary Bank, or violate any Laws or result in a default under any contract, agreement, or instrument to which Borrower or the Subsidiary Bank is a party or by which Borrower or the Subsidiary Bank or any of their respective properties are bound; or

(2) Result in the creation or imposition of any security interest in, or lien or encumbrance upon, any of the assets of Borrower or the Subsidiary Bank, except in favor of Lender;

(E) Borrower has the power and authority to enter into and perform this Agreement, the Note, and the Collateral Documents, and to incur the Obligations herein and therein provided for, and has taken all corporate action necessary to authorize the execution, delivery, and performance of this Agreement, the Note, and the Collateral Documents;

(F) This Agreement and the Collateral Documents are, and the Note when delivered will be, valid, binding, and enforceable in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws, and judicial decisions affecting the rights of creditors generally and by general principles of equity;

(G) Except to the extent disclosed to Lender in writing, there is no pending or, to Borrower's knowledge, threatened order, notice, claim, litigation, proceeding or investigation against or affecting Borrower or the Subsidiary Bank, whether or not covered by insurance, that would involve the payment by Borrower or Subsidiary Bank of $500,000.00 or more if adversely determined;

(H) Borrower has good and marketable title to all of the Collateral, subject to no security interest, encumbrance or lien, or claim of any third person;

(I) Borrower's and the Subsidiary Bank's financial statements (including call reports, in the case of the Subsidiary Bank) furnished to Lender, including any schedules and notes pertaining thereto, have been prepared in accordance with Generally Accepted Accounting Principles consistently applied, and fully and fairly present the financial condition of Borrower at the dates thereof and the results of operations for the periods covered thereby, and there have been no material adverse changes in the consolidated financial condition or business of Borrower from the date of the latest financial statements provided to Lender to the date hereof, or the Subsidiary Bank from its most recently filed call report to the date hereof;

(J) As at the date of this Agreement, neither Borrower nor the Subsidiary Bank has any material Indebtedness of any nature, including, but without limitation, liabilities for taxes and any interest or penalties relating thereto, except to the extent reflected (in a footnote or otherwise) and reserved against in the financial statements of Borrower most recently delivered to Lender or the most recent call report of the Subsidiary Bank, or as disclosed in or permitted by this Agreement, as applicable; Borrower does not know and has no reasonable ground to know of any basis for the assertion against it or the Subsidiary Bank of any material Indebtedness of any nature not fully reflected and reserved against in the above referenced respective financial statements or call reports, as applicable;

(K) Except as otherwise permitted herein, Borrower and the Subsidiary Bank have filed all federal, state and local tax returns and other reports they are required by Law to file prior to the date hereof and which are material to the conduct of their business, have paid or caused to be paid all taxes, assessments and other governmental charges that are due and payable prior to the date hereof, and have made adequate provision for the payment of such taxes, assessments or other charges accruing but not yet payable; Borrower has no knowledge of any deficiency or additional assessment in a materially important amount in connection with any taxes, assessments or charges not provided for on its books or the books of the Subsidiary Bank;

(L) Neither Borrower nor the Subsidiary Bank is in material violation of any applicable Laws;

(M) No representation or warranty by Borrower or the Subsidiary Bank contained herein or in any certificate or other document furnished by Borrower or the Subsidiary Bank pursuant hereto contains any untrue statement of material fact or omits to state a material fact necessary to make such representation or warranty not misleading in light of the circumstances under which it was made;

(N) Each consent, approval or authorization of, or filing, registration or qualification with, any Person that is required to be obtained or effected by Borrower or the Subsidiary Bank in connection with the execution and delivery of this Agreement, the Note, and the Collateral Documents, or the undertaking or performance of any obligation hereunder or thereunder, has been duly obtained or effected;

(O) The Pledged Stock constitutes 51% of the issued and outstanding capital stock of the Subsidiary Bank. There are no outstanding warrants, options, rights or other commitments (including, but without limitation, convertible notes or securities) entitling any Person to purchase or otherwise acquire any shares of capital stock of Borrower or the Subsidiary Bank. The Pledged Stock does not constitute "Margin Stock" as defined in Federal Reserve Board Regulation U (12 C.F.R. §§ 221.1 et seq.);

(P) Borrower has not made any agreement or taken any action which may cause anyone to become entitled to a commission or finder's fee as a result of the making of the Loan;

(Q) Borrower does not maintain any "Defined Benefit Pension Plans", as defined in ERISA; and

(R) Section 5.02 Survival. All of the representations and warranties set forth in Section 5.01 shall survive and shall remain true and correct until all Obligations are satisfied in full (except, if applicable, to the extent that any such representation or warranty expressly relates solely to an earlier date or period of time).

ARTICLE 6. THE BORROWER'S COVENANTS

Borrower hereby covenants and agrees with Lender that, so long as any of the Obligations remain unsatisfied, it will comply with the following covenants:

Section 6.01 Affirmative Covenants.

Unless Lender shall otherwise agree in writing, Borrower shall abide by and perform the following covenants:

(A) [Reserved]

(B) Borrower will use the proceeds of the Loan solely for the purposes described in Section 2.03 of this Agreement. Borrower will furnish Lender such evidence as it may reasonably require with respect to such use.

(C) Borrower will furnish Lender all of the following:

(1) with respect to Borrower only, quarterly, within sixty (60) days after the close of each calendar quarter, and at such other times as Lender may request:

(a) a statement of stockholders' equity and a statement of cash flows of such entity as of and for such quarter;

(b) an income statement of such entity for such quarter; and

(c) a balance sheet (consolidated, in the case of an entity that has one or more Subsidiaries) of such entity as of the end of such period;

all in reasonable detail, subject to year-end audit adjustments and certified by Borrower's president or principal financial officer to have been prepared in accordance with Generally Accepted Accounting Principles consistently applied, except for any inconsistencies explained in such certificate.

(2) with respect to each of Borrower and the Subsidiary Bank, annually, within one hundred twenty (120) days after December 31 of each year:

(a) a statement of stockholders' equity and the consolidated statement of cash flows of the Borrower and its affiliates of and for such fiscal year;

(b) an income statement of such entity for such fiscal year; and

(c) a balance sheet (in the case of an entity that has one or more Subsidiaries, such balance sheet shall be delivered on a consolidated basis and, if requested by Lender, also on a parent-only basis) of such entity as of the end of such fiscal year;

all in reasonable detail, including all supporting schedules and comments, audited by an independent public accountant selected by Borrower and reasonably acceptable to Lender, and certified by such accountant to have been prepared in accordance with Generally Accepted Accounting Principles consistently applied, except for any inconsistencies explained in such certificate. In addition, if requested by Lender, Borrower will obtain from such independent certified public accountants and deliver to Lender, within one hundred twenty (120) days after the close of each fiscal year, the independent certified public accountants' written statement that in making the examination necessary to their certification they have obtained no knowledge of any Default or Potential Default by Borrower or the Subsidiary Bank, or disclosed all Defaults or Potential Defaults of which they have obtained knowledge; provided, however, that in making their examination such accountants shall not be required to go beyond the bounds of generally accepted auditing procedures for the purpose of certifying financial statements. Lender shall have the right, from time to time, to discuss Borrower's and the Subsidiary Bank's affairs directly with Borrower's and the Subsidiary Bank's independent public accountants after notice to Borrower and the Subsidiary Bank and upon opportunity for Borrower and the Subsidiary Bank to be present at any such discussions.

(3) Contemporaneously with each quarterly and year-end financial report required by the foregoing paragraphs (1) and (2), a certificate of the president or principal financial officer of Borrower and the Subsidiary Bank, in the form of Exhibit A, stating that he or she has individually reviewed the provisions of this Agreement and that a review of the activities of Borrower and the Subsidiary Bank during such year or quarterly period, as the case may be, has been made by or under the supervision of the signer of such certificate with a view to determining whether Borrower and the Subsidiary Bank have kept, observed, performed and fulfilled all their obligations under this Agreement, and that, to the best of his or her knowledge, Borrower and the Subsidiary Bank have observed and performed each and every undertaking contained in this Agreement and are not at the time in default in the observance or performance of any of the terms and conditions hereof or, if Borrower or the Subsidiary Bank shall be so in default, specifying all such defaults and events of which he or she may have knowledge.

(4) Promptly after receipt thereof, copies of all material reports and documents submitted to Borrower or the Subsidiary Bank by any applicable regulatory authority (other than those which Borrower and the Subsidiary Bank are prohibited from disclosing under applicable Laws), and, simultaneously with the filing thereof, but in any event within forty-five (45) days of the end of each calendar quarter, copies of all financial reports, including but not limited to quarterly call reports, filed by the Borrower and/or the Subsidiary Bank with any applicable regulatory authority.

(5) Promptly after sending or making available or filing of the same, but in any event within fifteen (15) days after issuance, copies of all reports, proxy statements and financial statements that Borrower or the Subsidiary Bank sends or makes available to the stockholders and all registration statements and reports, including, if applicable, but not limited to 8-Ks and 10-Qs that Borrower or the Subsidiary Bank files with the Securities and Exchange Commission or any successor Person.

(6) Immediately upon the occurrence thereof, notice of (i) any material change in Borrower's or the Subsidiary Bank's financial condition or executive management, or (ii) any other change internally or externally that could materially affect the capital, earnings or financial condition of Borrower or the Subsidiary Bank.

(7) Such other reports, financial information, projections, budgets, capital plans and other information as Lender may reasonably require.

Documents required to be delivered pursuant to Section 6.01(A), (B), (C)(1), (C)(2), (C)(4), and (C)(5) (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission, Federal Reserve, or Federal Deposit Insurance Corporation) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which such documents are posted on Borrower's behalf on an internet or intranet website, if any, to which Lender has access.

(D) Borrower will pay or cause to be paid when due all taxes, assessments and charges or levies imposed upon it or the Subsidiary Bank or on any of its property or the Subsidiary Bank's property or which it or the Subsidiary Bank is required to withhold and pay over, except where contested in good faith by appropriate proceedings with adequate reserve therefor having been set aside on Borrower's or the Subsidiary Bank's books, but Borrower shall pay or cause to be paid all such taxes, assessments, charges or levies forthwith whenever foreclosure on any lien that has attached (or any security therefor) appears imminent.

(E) Borrower will, when requested so to do and unless prohibited by any federal, state and/or local Laws, make available for inspection by duly authorized representatives of Lender any of its or the Subsidiary Bank's Records, and will furnish Lender any information regarding its or the Subsidiary Bank's business affairs and financial condition within a reasonable time after written request therefor.

(F) Borrower will maintain, and will cause the Subsidiary Bank to maintain, liability insurance, property insurance (including, without limitation, fire and extended coverage insurance on all assets owned by Borrower or the Subsidiary Bank, as applicable), and other types of insurance (including, without limitation, insurance coverage on the directors and officers of Borrower and the Subsidiary Bank), all in such form and amounts as are consistent with industry practices and with such insurers as may be satisfactory to Lender. Borrower will furnish to Lender such evidence of insurance as Lender may require. Borrower hereby agrees that, in the event it fails to pay or cause to be paid the premium on any such insurance, Lender may do so and shall be reimbursed by Borrower therefor, along with interest on the amount so paid at the Interest Rate (or default rate, if applicable).

(G) Borrower will take all necessary steps to preserve its and the Subsidiary Bank's corporate existence and comply with all present and future Laws applicable to it or the Subsidiary Bank in the operation of its or the Subsidiary Bank's business, and all material leases, contracts and commitments of any kind to which it or the Subsidiary Bank is subject. Borrower will cause the Subsidiary Bank to comply in all material respects with their respective obligations.

(H) Borrower will give immediate notice to Lender of:

(1) any litigation or proceeding in which it or the Subsidiary Bank is a party if an adverse decision therein would require it or the Subsidiary Bank to pay more than $500,000.00 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance); and

(2) the institution of any other suit or proceeding involving Borrower or the Subsidiary Bank that might materially and adversely affect Borrower's or the Subsidiary Bank's operations, financial condition, property or business.

(I) Within ten (10) days of Lender's request therefor, Borrower will furnish Lender with copies of federal income tax returns filed by Borrower or the Subsidiary Bank.

(J) Borrower will cause the Subsidiary Bank at all times to maintain (in accordance with Generally Accepted Accounting Principles):

(1) an "adequately capitalized" status in accordance with the regulations of the primary federal bank regulatory agency of the Subsidiary Bank;

(2) a Tier 1 Leverage Ratio greater than eight percent (8.0%);

(3) a Non-Performing Assets/Equity and Allowance for Loan and Lease Losses Ratio less than forty percent (40%); and

(4) a Return on Assets Ratio greater than twenty-five hundredths of one percent (0.25%).

(K) Borrower will notify Lender immediately if it becomes aware of the occurrence of any Default or Potential Default, or the failure of Borrower to observe any of its undertakings hereunder.

(L) Borrower shall (a) ensure that no Person which owns a controlling interest in or controls Borrower is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, (b) not use or permit the use of any proceeds of the Loan to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto, (c) comply with all applicable Bank Secrecy Act laws and regulations, as amended, and (d) provide all information necessary for Lender to comply with the USA Patriot Act, as amended from time to time.

(M) Borrower will maintain direct ownership of fifty-one percent (51%) of the issued and outstanding capital stock of the Subsidiary Bank.

(N) Borrower will pay, or cause the Subsidiary Bank to pay, when due (or within applicable grace periods) all Indebtedness due third Persons, except when the amount therefor is being contested in good faith by appropriate proceedings and with adequate reserves therefor being set aside on the books of Borrower or the Subsidiary Bank. If default be made by Borrower or the Subsidiary Bank in the payment of any principal (or installment thereof) of, or interest on, any such Indebtedness, Lender shall have the right, in its discretion, to pay such interest or principal for the account of Borrower or the Subsidiary Bank and be reimbursed by Borrower therefor, along with interest on the amount so paid at the Interest Rate (or default rate, if applicable).

(O) Borrower shall cause the Subsidiary Bank to pay dividends to Borrower in an amount sufficient to fulfill its Obligations to repay the Loan. Borrower shall immediately notify Lender within two (2) business days of any regulatory prohibition relative to the payment of dividends to Borrower.

(P) Borrower shall promptly notify Lender in the event of the departure or removal of the current Chief Executive Officer of either Borrower or the Subsidiary Bank, and Lender may accelerate the Loan in accordance with Section 7.02 at any time after 90 days but no longer than 120 days following any such departure or removal.

(Q) In the event Borrower fails to maintain a Tier 1 Leverage Ratio greater than eight percent (8.0%) in accordance with Section 6.01(J)(2), Borrower shall have a period to cure the failure for thirty (30) days. In the event Borrower fails to maintain a Non-Performing Assets Ratio of less than forty percent (40%) in accordance with Section 6.01(J)(3) or a Return on Assets Ratio greater than twenty-five hundredths of one percent (0.25%) in accordance with Section 6.01(J)(4), Borrower shall have a period to cure the failure for the fiscal quarter following the quarter in which such failure occurs.

(R) Borrower shall maintain an interest reserve of at least $1,000,000 at all times during the term of the Loan, it being understood that such funds may be maintained at the Subsidiary Bank and may be commingled with other funds of Borrower.

(S) Borrower shall notify Lender within two (2) business days of any regulatory prohibition against the payment of any dividends to Borrower.

Section 6.02 Negative Covenants.

Unless Lender shall otherwise consent in writing, which consent shall not unreasonably be withheld, Borrower shall abide by the following covenants:

(A) Neither Borrower nor the Subsidiary Bank will change its name, enter into any merger, consolidation, or reorganization, reclassify its capital stock, or liquidate or dissolve, except pursuant to a transaction in which Borrower or the Subsidiary Bank, as appropriate, is the acquiror and no Change in Control has occurred.

(B) Neither Borrower nor the Subsidiary Bank will sell, transfer, lease or otherwise dispose of all or any material part of its assets, nor sell any item of Collateral, including but without limitation with respect to Borrower, any of the capital stock of the Subsidiary Bank. Further, neither Borrower nor the Subsidiary Bank will purchase any material part of the assets of another Person, except pursuant to a transaction by the Subsidiary Bank in the ordinary course of business or a transaction in which Borrower or the Subsidiary Bank, as appropriate, is the acquiror and no Change in Control has occurred.

(C) Borrower will not mortgage, pledge, grant or permit to exist a security interest in or lien upon any item of Collateral, including, but without limitation any of the capital stock of the Subsidiary Bank, now owned or hereafter acquired.

(D) Neither Borrower nor the Subsidiary Bank will become liable, directly or indirectly, as guarantor or otherwise for any obligation of any Person, except for the Subsidiary Bank's endorsement of commercial paper for deposit or collection in the ordinary course of business, and the Subsidiary Bank's issuance of letters of credit in the ordinary course of business.

(E) Neither Borrower nor the Subsidiary Bank (whether acting in its individual capacity or as a joint venture partner) will incur, create, assume, or permit to exist any Indebtedness except:

(1) the Loan;

(2) Indebtedness described in the financial statements of Borrower most recently delivered to Lender, or the most recent call reports of the Subsidiary Bank, as applicable;

(3) trade indebtedness incurred in the ordinary course of business;

(4) Indebtedness no greater than $5,000,000 or Indebtedness approved in writing by Lender; and

(4) contingent Indebtedness permitted by <u>Section 6.02(D)</u>.

Without limiting the foregoing, the Subsidiary Bank shall not issue commercial paper, subordinated debt or any similar debt instrument, and the Subsidiary Bank shall not obtain any non-traditional funding, without Lender's prior written consent.

(F) Borrower will not amend, nor cause the Subsidiary Bank to amend, its articles of incorporation or bylaws, or alter, through agreement or otherwise, any voting rights or rights to elect or appoint directors.

(G) Borrower will not declare or pay any dividends, or make any other payment or distribution on account of its capital stock, except that so long as no Default or Potential Default shall have occurred and be continuing, Borrower may pay dividends to its shareholders in amounts consistent with its past practices.

(H) Borrower will not furnish Lender any certificate or other document that will knowingly contain any untrue statement of material fact or that will knowingly omit to state a material fact necessary to make it not misleading in light of the circumstances under which it was furnished.

(I) Borrower will not directly or indirectly apply any part of the proceeds of the Loan to the purchasing or carrying of any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or any regulations, interpretations or rulings thereunder.

(J) Borrower will not enter into any transaction with any Affiliate including, without limitation, the purchase, sale or exchange of property or the rendering of any service, except in the ordinary course of business and pursuant to the reasonable requirements of Borrower's business and upon terms found by its board of directors to be fair and reasonable and no less favorable to Borrower than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

ARTICLE 7. DEFAULT

Section 7.01 Events of Default. The occurrence of any one or more of the following events shall constitute a Default hereunder:

(A) Borrower shall fail to pay when due any installment of principal or interest or fee payable hereunder or under the Note, or any of Borrower's other Obligations to Lender. For the purposes of this paragraph, there shall be a ten (10) day grace period in the event of a late payment.

(B) Borrower shall fail to observe or perform any other obligation to be observed or performed by it hereunder or under the Note or any of the Collateral Documents. In the event of a failure to meet an obligation under this paragraph, Lender shall give Borrower notice of the failure. From the date notice is received, Borrower shall have a thirty (30) day period in which to cure such failure.

(C) Borrower or the Subsidiary Bank shall fail to pay any Indebtedness in excess of $500,000.00 due any third Persons after demand therefor and such failure shall continue beyond any applicable grace period, unless any such failure is being contested in good faith by appropriate proceedings with adequate reserve therefor being set aside on Borrower's or the Subsidiary Bank's books. For the purposes of this paragraph, there shall be a ten (10) day grace period to cure such failure.

(D) Any financial statement, call report, representation, warranty or certificate made or furnished by Borrower or the Subsidiary Bank to Lender under or in connection with this Agreement, or as an inducement to Lender to enter into this Agreement, or in any separate statement or document to be delivered hereunder to Lender, shall be materially false, incorrect, or incomplete when made.

(E) Borrower shall admit its inability to pay its debts as they mature, or shall make an assignment for the benefit of its or any of its creditors.

(F) Proceedings in bankruptcy, or for reorganization of Borrower or the Subsidiary Bank or for the readjustment of any of its debts, under the Bankruptcy Code, as amended, or any part thereof, or under any other Laws, whether state or federal, for the relief of debtors, now or hereafter existing, (i) shall be commenced against Borrower or the Subsidiary Bank and shall not be discharged within thirty (30) days after their commencement, or (ii) shall be commenced by Borrower or the Subsidiary Bank.

(G) Any proceedings shall be instituted for the appointment of a receiver or trustee for Borrower or the Subsidiary Bank or for any substantial part of their respective assets, or any proceedings shall be instituted for the dissolution of or the full or partial liquidation of Borrower or the Subsidiary Bank, or Borrower or the Subsidiary Bank shall discontinue its business or materially change the nature of its business.

(H) Borrower or the Subsidiary Bank shall suffer final judgments for payment of money aggregating in excess of $500,000.00 and shall not discharge the same within a period of thirty (30) days unless, pending further proceedings, execution has been effectively stayed.

(I) A judgment creditor of Borrower shall obtain possession of any of the Collateral by any means, including, but without limitation, levy, distraint, replevin or self-help.

(J) The validity or enforceability of this Agreement, the Note or the Collateral Documents shall be contested by Borrower, the Subsidiary Bank, or any shareholder of Borrower, or the Borrower shall deny that it has any or further liability or Obligation hereunder or thereunder.

(K) Borrower or the Subsidiary Bank shall fail to maintain all regulatory licenses and permits necessary to the conduct of their respective business.

(L) If any of Borrower's or the Subsidiary Bank's banking regulators (i) enter into or issue a cease and desist order, consent order, written agreement or similar agreement with or against Borrower or the Subsidiary Bank, (ii) require Borrower or the Subsidiary Bank to enter into a memorandum of understanding, letter agreement or other similar written undertaking, or (iii) take such other action that explicitly states that Borrower or the Subsidiary Bank has acted in an unsafe or unsound manner.

(M) Borrower ceases to own fifty-one percent (51%) of the issued and outstanding capital stock of the Subsidiary Bank.

(N) There is a Change in Control with respect to Borrower or the Subsidiary Bank.

Section 7.02 <u>Acceleration</u>. If a Default shall have occurred and be continuing beyond any applicable grace or cure periods, or if a departure of executive management occurs under Section 6.01(P) and Lender elects to accelerate the Loan during the period set forth in such Section 6.01(P), then, at the option of Lender (which option shall be deemed to have been exercised, even if no notice is given, immediately upon the occurrence of a Default specified in <u>Sections 7.01(E)</u>, <u>(F)</u> or <u>(G)</u>), Lender may terminate all commitments to lend hereunder and may declare, by written notice to Borrower, that all Obligations, whether hereunder or otherwise, are immediately due and payable.

Section 7.03 <u>Remedies</u>. If a Default shall have occurred and be continuing beyond any applicable notice and grace periods, then whether or not acceleration occurs under <u>Section 7.02</u>, Lender shall have, in addition to the rights and remedies given it by this Agreement and the Collateral Documents, all those allowed by all applicable Laws, including, but without limitation, the Uniform Commercial Code as enacted in any jurisdiction in which any Collateral may be located. After deducting from the proceeds of sale or other disposition of the Collateral all expenses (including all reasonable expenses for legal services), Lender shall apply such proceeds toward the satisfaction of the Obligations. Borrower shall be liable for any deficiency, and any remainder of the proceeds after satisfaction in full of the Obligations shall be distributed as required by applicable Laws. Notice of any sale or other disposition shall be given to Borrower (and/or to the Subsidiary Bank, if required under applicable Laws) at least five (5) days before the time of any intended public sale or of the time after which any intended private sale or other disposition of the Collateral is to be made, which Borrower hereby agrees shall be reasonable notice of such sale or other disposition. Borrower agrees to assemble, or to cause to be assembled, at its own expense, the Collateral at such place or places as Lender shall designate.

At any such sale or other disposition, Lender may, to the extent permissible under applicable Laws, purchase the whole or any part of the Collateral, free from any right of redemption on the part of Borrower or the Subsidiary Bank, which right is hereby waived and released. Without limiting the generality of any of the rights and remedies conferred upon Lender under this section, Lender may, to the full extent permitted by applicable Laws, at Lender's option, use, operate, manage and control the Collateral in any lawful manner.

ARTICLE 8. MISCELLANEOUS

Section 8.01 Construction. The provisions of this Agreement shall be in addition to those of any guaranty, pledge or security agreement, note or other evidence of liability held by Lender, all of which shall be construed as complementary to each other. Nothing herein contained shall prevent Lender from enforcing any or all other notes, guaranty agreements, pledge agreements, or security agreements in accordance with their respective terms.

Section 8.02 Further Assurance. From time to time, Borrower will, or will cause the Subsidiary Bank to, execute and deliver to Lender such additional documents and will provide such additional information as Lender may reasonably require to carry out the terms of this Agreement and be informed of Borrower's and/or the Subsidiary Bank's status and affairs.

Section 8.03 Enforcement and Waiver by Lender. Lender shall have the right at all times to enforce the provisions of this Agreement and the Collateral Documents in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of Lender in refraining from so doing at any time or times. The failure of Lender at any time or times to enforce its rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Agreement or as having in any way or manner modified or waived the same. All rights and remedies of Lender are cumulative and concurrent and the exercise of one right or remedy shall not be deemed a waiver or release of any other right or remedy.

Section 8.04 Expenses of Lender. Borrower will, on demand, reimburse Lender for any and all expenses, fees, taxes, or other costs (including, without limitation, (a) expenses for lien searches and other due diligence searches, (b) any recordation tax, indebtedness tax, documentary stamp tax, intangible tax, or similar tax due in connection with the Loan or any security instrument related to the Loan, (c) any recording fees or other costs due in connection with any security instrument related to the Loan, and (d) the reasonable fees and expenses of legal counsel for Lender) incurred in connection with the enforcement of this Agreement and the Collateral Documents and the collection or attempted collection of the Note and the other Obligations.

Section 8.05 Notices. Any notice or other communication required or permitted to be given by this Agreement, the Note, the Collateral Documents or any related document, or by applicable Laws, shall be in writing and shall be deemed received (a) on the date delivered, if sent by hand delivery (to the person or department if one is specified below) with receipt acknowledged by the recipient thereof, (b) three (3) business days following the date deposited in U.S. mail, certified or registered, with return receipt requested, or (c) one (1) business day following the date deposited with Federal Express or other national overnight carrier, and in each case addressed as follows:

(A) If to Borrower:

River Financial Corporation c/o River Bank & Trust
2611 Legends Drive
Prattville, AL 36066
Attention: Mr. James M. Stubbs, CEO

(B) If to Lender:

ServisFirst Bank
2500 Woodcrest Place
Birmingham, Alabama 35209
Attention: William Mellown
Vice President, Correspondent Banking

Section 8.06 Waiver; Release and Indemnity by Borrower. To the maximum extent permitted by applicable Laws, Borrower:

(A) Waives (1) protest with respect to all Indebtedness at any time held by Lender on which Borrower is in any way liable; and (2) notice and opportunity to be heard before exercise by Lender of the remedies of set-off or other summary procedures permitted by any applicable Laws or by any agreement with Borrower, and except where required hereby or by any applicable Laws, notice of any other action taken by Lender; and

(B) Releases Lender and its officers, directors, agents, attorneys and employees from all claims for loss or damage caused by any act or omission on the part of any of them except gross negligence or willful misconduct; and

(C) Indemnifies Lender and its officers, directors, agents, attorneys and employees against, and agrees to hold Lender and all of such other persons harmless from, any claims, demands, liabilities, costs, damages, and judgments (including, without limitation, costs of defense and attorneys' fees) arising directly or indirectly out of or in connection with any matter involving the Loan, this Agreement, the Note, the Collateral Documents, any related documents, or any of the other matters and transactions contemplated herein or therein, except where such claims, demands, liabilities, costs, damages and judgments arise out of the gross negligence or willful misconduct of Lender. This agreement of indemnity shall be a continuing agreement and shall survive payment of the Loan, the Note and termination of this Agreement.

Section 8.07 Participation. Notwithstanding any other provision in this Agreement, Borrower understands and agrees that Lender may enter into participation agreements with participating banks whereby Lender will allocate to them certain percentages of Lender's interest in the Loan. Borrower acknowledges that, for the convenience of all parties, this Agreement is being entered into with Lender only and that its obligations under this Agreement are undertaken for the benefit of, and as an inducement to each of any such participating banks as well as Lender, and Borrower hereby grants to each such participating bank, to the extent of its participation in the Loan, the right to set off deposit accounts maintained by Borrower with such bank.

Section 8.08 Applicable Law; Jurisdiction and Venue. The substantive Laws of the United States and the State of Alabama shall govern the construction of this Agreement and the documents executed and delivered pursuant hereto, and the rights and remedies of the parties hereto and thereto. Borrower hereby consents to the jurisdiction of the State of Alabama; and agrees that venue for any dispute relating to or arising out of the transaction contemplated by this Agreement shall lie exclusively in an appropriate state or federal court located in Jefferson County, Alabama.

Section 8.09 Binding Effect, Assignment and Entire Agreement. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and permitted assigns of the parties hereto. Borrower has no right to assign any of its rights or obligations hereunder without the prior written consent of Lender. Lender may freely assign the Loan, in whole or in part. This Agreement and the documents executed and delivered pursuant hereto, constitute the entire agreement between the parties, and may be amended only by a writing signed on behalf of each party.

Section 8.10 Severability. If any provision of this Agreement shall be held invalid under any applicable Laws, such invalidity shall not affect any other provision of this Agreement that can be given effect without the invalid provision, and, to this end, the provisions hereof are severable.

Section 8.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Section 8.12 Extension and Renewal. The Loan may, in the sole and absolute discretion of Lender, be renewed or extended beyond the Maturity Date only upon the express written agreement of Borrower and Lender. Any renewal or extension shall be upon the terms and subject to the conditions stated in such written agreement. In the absence of such extension or renewal, the obligations of Lender hereunder with respect to the Loan shall terminate on the Maturity Date.

Section 8.13 Seal. This Agreement is intended to take effect as an instrument under seal.

Section 8.14 No Third Party Beneficiaries, Etc. Monitoring, inspections and review of financial information by Lender may not be relied upon by Borrower or any other Person and shall be for the sole benefit of Lender. Further, there are no third party beneficiaries of this Agreement or any documents related hereto, and no person or entity other than Lender and Borrower shall be entitled to rely hereon or thereon or benefit herefrom or therefrom.

Section 8.15 Waiver of Trial by Jury. EACH OF THE BORROWER AND THE LENDER HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY ON ANY CLAIM, COUNTERCLAIM, SETOFF, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING OUT OF OR IN ANY WAY PERTAINING OR RELATING TO THIS AGREEMENT, THE NOTE, THE COLLATERAL DOCUMENTS, OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION WITH THIS AGREEMENT OR (b) IN ANY WAY CONNECTED WITH OR PERTAINING OR RELATED TO OR INCIDENTAL TO ANY DEALINGS OF THE PARTIES HERETO WITH RESPECT TO THIS AGREEMENT, THE NOTE, THE COLLATERAL DOCUMENTS, OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR IN CONNECTION WITH THE TRANSACTIONS RELATED THERETO OR CONTEMPLATED THEREUNDER, IN ALL OF THE FOREGOING CASES WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE BORROWER AND THE LENDER AGREE THAT EITHER OR BOTH OF THEM MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED AGREEMENT BETWEEN THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY, AND THAT ANY DISPUTE OR CONTROVERSY WHATSOEVER BETWEEN THEM SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

BORROWER:

RIVER FINANCIAL CORPORATION

By ____________________________
Name James M. Stubbs
Its Chief Executive Officer

LENDER:

SERVISFIRST BANK

By ____________________________
Name William Mellown
Its VP, Correspondent Banking

EXHIBIT A TO
LOAN AND SECURITY AGREEMENT

BORROWER'S COMPLIANCE CERTIFICATE

ServisFirst Bank
2500 Woodcrest Place
Birmingham, Alabama 35209
Attention: William Mellown, Vice President, Correspondent Banking

Re: Loan and Security Agreement dated August 9, 2021

Gentlemen:

In connection with the foregoing, the officer executing this certificate on behalf of Borrower and the Subsidiary Bank certifies as follows:

a) I am familiar with the terms and conditions of the Loan and Security Agreement (the "Loan Agreement") dated August 9, 2021, between Borrower and Lender. I have individually reviewed the provisions of the Loan Agreement, and a review of the activities of Borrower and the Subsidiary Bank from _________________, 2021_____, until _________________, 2021_____, has been made under my supervision with the view of determining whether Borrower and the Subsidiary Bank have kept, observed, performed and fulfilled all their obligations under the Loan Agreement.

b) The financial covenants for the Subsidiary Bank set forth in Section 6.01(J) of the Agreement are set forth below, together with the status or calculation thereof for the above-referenced period:

Required		As of Reporting Date
(1) Status ……………………………….	"adequately capitalized"	____________________
(2) Tier 1 Leverage Ratio greater than...	8.0%	____________________
(3) Non-Performing Assets Ratio…...….	< 40%	____________________
(4) Return on Assets Ratio greater than.	0.25%	____________________

c) Borrower and the Subsidiary Bank have observed and performed each and every undertaking contained in the Loan Agreement and are not at this time in default in the observance or performance of any of the terms and conditions thereof except as provided for on the attached schedule. I hereby certify that no Default or Potential Default exists as of the date hereof.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have caused this certificate to be executed by their duly authorized representatives on the dates set forth below.

RIVER FINANCIAL CORPORATION

By ____
Name ____
Its ____

Date:____

RIVER BANK & TRUST

By ____
Name ____
Its ____

Date:____

COMPLIANCE CERTIFICATE SCHEDULE OF DEFAULTS

A. Nature of Default(s) or Potential Default(s):

B. Steps Borrower proposes to cure Default(s) or Potential Default(s):

EXHIBIT B TO
LOAN AND SECURITY AGREEMENT

STATES QUALIFIED, PRINCIPAL PLACES OF BUSINESS

Entity	State(s) Qualified	Principal Place of Business
River Financial Corporation	Alabama	2611 Legends Drive Prattville, AL 36066
River Bank & Trust	Alabama	2611 Legends Drive Prattville, AL 36066

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

November 9, 2021

/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

November 9, 2021

/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 September 30, 2021, 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: November 9, 2021

RIVER FINANCIAL CORPORATION

/s/ Jason B. Davis
Jason B. Davis
Chief Financial Officer
(principal financial officer and accounting officer)
Date: November 9, 2021

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.