

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2022 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here.	☐

Part II	Basic Plan Information —enter all requested information			
1a Name of plan	<u>COASTAL BEND BANCSHARES, INC. EMPLOYEE STOCK OWNERSHIP PLAN & TRUST</u>		1b Three-digit plan number (PN) ▶	<u>002</u>
			1c Effective date of plan	<u>11/01/1999</u>
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)	<u>FIRST COMMUNITY BANK</u> <u>416 NORTH WATER STREET</u> <u>CORPUS CHRISTI, TX 78401-2533</u>		2b Employer Identification Number (EIN)	<u>76-0024722</u>
			2c Plan Sponsor's telephone number	<u>361-888-9310</u>
			2d Business code (see instructions)	<u>522110</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/05/2023	SHEREE LEWIS
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

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3a Plan administrator's name and address ☐ Same as Plan Sponsor FIRST COMMUNITY BANK 416 NORTH WATER STREET CHORPUS CHRISTI, TX 78401	3b Administrator's EIN 76-0024722 3c Administrator's telephone number 361-888-9310
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 154
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits c Other retired or separated participants entitled to future benefits..... d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)..... h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6a(1) 133 6a(2) 131 6b 6 6c 18 6d 155 6e 2 6f 157 6g 122 6h 4
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 20 2Q 3H 2J 2K b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ 0 A (Insurance Information) (4) ☐ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2022 Form M-1 annual report. If the plan was not required to file the 2022 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection
For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>		
A Name of plan <u>COASTAL BEND BANCSHARES, INC. EMPLOYEE STOCK OWNERSHIP PLAN & TRUST</u>	B Three-digit plan number (PN) ►	<u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>FIRST COMMUNITY BANK</u>	D Employer Identification Number (EIN) <u>76-0024722</u>	

Part I	Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....		1a	
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....		1b(1)	916
(2) Participant contributions.....		1b(2)	
(3) Other.....		1b(3)	438486
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....		1c(1)	313220
(2) U.S. Government securities		1c(2)	457724
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred		1c(3)(A)	
(B) All other		1c(3)(B)	
(4) Corporate stocks (other than employer securities):			
(A) Preferred		1c(4)(A)	
(B) Common.....		1c(4)(B)	
(5) Partnership/joint venture interests		1c(5)	
(6) Real estate (other than employer real property)		1c(6)	
(7) Loans (other than to participants).....		1c(7)	
(8) Participant loans.....		1c(8)	
(9) Value of interest in common/collective trusts.....		1c(9)	
(10) Value of interest in pooled separate accounts		1c(10)	
(11) Value of interest in master trust investment accounts.....		1c(11)	
(12) Value of interest in 103-12 investment entities		1c(12)	
(13) Value of interest in registered investment companies (e.g., mutual funds).....		1c(13)	
(14) Value of funds held in insurance company general account (unallocated contracts).....		1c(14)	
(15) Other		1c(15)	

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	12441061	12245643
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	13193683	12996947

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j	0	0
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	13193683	12996947
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	72797	
(B) Participants	2a(1)(B)	294477	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		367274
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	1025	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		1025
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	535052	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		535052
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	-195418	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-195418

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		707933
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	902617	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		902617
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)	2052	
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		2052
j Total expenses. Add all expense amounts in column (b) and enter total	2j		904669
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		-196736
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☐ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☒ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **TRANBARGER FHK PLLC**

(2) EIN: **82-4121583**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		5000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection.
For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan COASTAL BEND BANCSHARES, INC. EMPLOYEE STOCK OWNERSHIP PLAN & TRUST		B Three-digit plan number (PN) ► 002
C Plan sponsor's name as shown on line 2a of Form 5500 FIRST COMMUNITY BANK		D Employer Identification Number (EIN) 76-0024722
Part I	Distributions	
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....		1 0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 74-2953074		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....		3
Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)	
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ☐ Yes ☐ No ☐ N/A If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....		6a
b Enter the amount contributed by the employer to the plan for this plan year.....		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☐ N/A		
Part III	Amendments	
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... ☐ Increase ☐ Decrease ☐ Both ☐ No		
Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.	
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....		☐ Yes ☒ No
11 a Does the ESOP hold any preferred stock?.....		☐ Yes ☒ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....		☐ Yes ☒ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?.....		☒ Yes ☐ No
For Paperwork Reduction Act Notice, see the Instructions for Form 5500.		
Schedule R (Form 5500) 2022 v. 220413		

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14 Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:	14a		
a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....		14b	
b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)			14c
c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)			
15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:	15a		
a The corresponding number for the plan year immediately preceding the current plan year.....		15b	
b The corresponding number for the second preceding plan year.....			
16 Information with respect to any employers who withdrew from the plan during the preceding plan year:	16a		
a Enter the number of employers who withdrew during the preceding plan year		16b	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....			
17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment	☐		

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment

19 If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

20 PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

COASTAL BEND BANCSHARES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

TRANBARGER FHK, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITORS

To the Plan Administrator of Coastal Bend Bancshares, Inc.
Employee Stock Ownership Plan and Trust
Corpus Christi, Texas

Opinion

We have audited the financial statements of Coastal Bend Bancshares, Inc. Employee Stock Ownership Plan and Trust (the “Plan”), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (“ERISA”). The financial statements comprise the statements of net assets available for benefits as of December 31, 2022 and 2021, and the related statement of changes in net assets available for benefits for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2022 and 2021, and the changes in net assets available for benefits for the year ended December 31, 2022, in accordance with U.S. generally accepted accounting principles (“GAAP”).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (“GAAS”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Management is responsible for maintaining a current plan instrument, including all plan amendments. Management is also responsible for administering the Plan and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

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

Other Matter – Supplementary Information Required by ERISA

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements but is Supplementary Information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS.

In forming our opinion on the Supplementary Information, we evaluated whether the Supplementary Information, including their form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Tranbarger FHK, PLLC

San Antonio, Texas
September 12, 2023

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2022 and 2021

	2022			2021		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
ASSETS						
Cash - interest bearing	\$ 451,705	\$ 11,941	\$ 463,646	\$ 304,575	\$ 8,786	\$ 313,361
Investment in sponsor company common stock, at fair value	12,245,643	-	12,245,643	12,441,061	-	12,441,061
Total investments	12,697,348	11,941	12,709,289	12,745,636	8,786	12,754,422
Receivables:						
Other participant contributions due from 401(k) plan	916	-	916	916	-	916
Dividends	-	292,665	292,665	-	438,486	438,486
Total receivables	916	292,665	293,581	916	438,486	439,402
Total assets	\$ 12,698,264	\$ 304,606	\$ 13,002,870	\$ 12,746,552	\$ 447,272	\$ 13,193,824
LIABILITIES						
Excess contributions payable	\$ 7,054	\$ -	\$ 7,054	\$ 5,114	\$ -	\$ 5,114
Benefit claims payable	5,923	-	5,923	141	-	141
Total liabilities	12,977	-	12,977	5,255	-	5,255
Net assets available for benefits	\$ 12,685,287	\$ 304,606	\$ 12,989,893	\$ 12,741,297	\$ 447,272	\$ 13,188,569

See accompanying notes to the financial statements.

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31, 2022

	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO:			
Investment income:			
Net change in fair value of investments	\$ (195,418)	\$ -	\$ (195,418)
Dividends	677,718	(142,666)	535,052
Interest	1,025	-	1,025
Total investment income (loss)	<u>483,325</u>	<u>(142,666)</u>	<u>340,659</u>
Contributions:			
Participant	294,477	-	294,477
Employer	72,797	-	72,797
Total contributions	<u>367,274</u>	<u>-</u>	<u>367,274</u>
Total additions	850,599	(142,666)	707,933
DEDUCTIONS FROM NET ASSETS ATTRIBUTABLE TO:			
Distributions:			
Benefits paid to participants	902,617	-	902,617
Excess contributions refunded	1,940	-	1,940
Total distributions	<u>904,557</u>	<u>-</u>	<u>904,557</u>
Plan administrative expenses	<u>2,052</u>	<u>-</u>	<u>2,052</u>
Total deductions	906,609	-	906,609
NET CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS	(56,010)	(142,666)	(198,676)
NET ASSETS AVAILABLE FOR BENEFITS:			
Beginning of year	<u>12,741,297</u>	<u>447,272</u>	<u>13,188,569</u>
End of year	<u><u>\$ 12,685,287</u></u>	<u><u>\$ 304,606</u></u>	<u><u>\$ 12,989,893</u></u>

See accompanying notes to the financial statements.

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. DESCRIPTION OF THE PLAN

First Community Bank (the “Company” or “Plan Sponsor”) established the Coastal Bend Bancshares, Inc. Employee Stock Ownership Plan and Trust (the “Plan”), effective November 1, 1999. The following description of the Plan provides general information only. Participants should refer to the Plan agreement for more complete information.

General – The Plan is a defined contribution plan covering all eligible full-time or part-time employees of the Plan Sponsor who have attained one year of service and are age twenty-one or older. Union employees and certain non-resident aliens are not eligible to participate in the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). The Plan is administered by an ESOP Committee comprising of three trustees appointed by the Plan Sponsor’s Board of Directors. The Plan has an interest bearing bank account with the Plan Sponsor, a financial institution. The Plan purchased the common stock of Coastal Bend Bancshares, Inc. (the “Holding Company”) using contributions.

Participant Contributions – An eligible Participant may authorize the Company to withhold from one percent up to one hundred percent of eligible compensation not to exceed the annual limits established by the Internal Revenue Service (“IRS”). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

Employer Contributions – The Company may make matching contributions to the Plan at a discretionary percentage of the participants’ salary deferrals. For the Plan years ended December 31, 2022 and 2021, the discretionary matching percentage was 50% of the first 4% of the participants’ base compensation deferred. In addition, the Company’s Board of Directors may elect to contribute an additional non-elective employer contribution on an annual basis. None was approved in 2022 or 2021.

Participant Accounts – A separate individual account is established for each participant. Each participant’s account is credited as of June 30 and December 31 of each plan year with an allocation of purchased shares of the Holding Company’s common stock. Each participant’s account is credited with the participant’s contribution and Plan Sponsor matching contribution, as well as allocation of the Plan Sponsor’s discretionary stock bonus contribution and Plan earnings. Allocations are based on account balances or specific participant transactions, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be paid from the participant’s vested account.

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. DESCRIPTION OF THE PLAN (continued)

Put Option – Under Federal income tax regulations, the common stock that is held by the Plan and its participants is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Plan Sponsor buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current value of the stock. The Plan Sponsor can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash. The Holding Company elected to be a Sub-Chapter S corporation in 1999. While the Holding Company is registered as a Sub-Chapter S Corporation, all distributions will be made in cash only and the put option will have no effect. During the years ended December 31, 2022 and 2021, all distributions were made in cash.

Vesting – Participants are immediately vested in their voluntary contributions plus actual earnings thereon and shall become fully vested in all funds upon death or total and permanent disability. Participants' interest in employer contributions vests as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
0-1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Voting Rights – Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote on any allocated share for which instructions have not been given by a participant. The Trustee is required, however, to vote on any unallocated shares on behalf of the collective best interest of plan participants and beneficiaries.

Diversification – Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Holding Company Stock into investments which are more diversified. Participants who are at least 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a 6-year period. In each of the first 5 years, a participant may diversify up to 25% of the number of shares allocated to his or her account, less any share previously diversified. In the 6th year, the percentage changes to 50%. Participants who elect to diversify have the option to receive a cash distribution or directly rollover to the First Community Bank 401(k) Profit Sharing Plan, an IRA, or another plan.

COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. DESCRIPTION OF THE PLAN (continued)

Notes Receivable from Participants – The Plan does not allow for Participants to borrow from their fund accounts.

Payment of Benefits – On termination of service due to retirement, death, disability, or other reasons, a participant may elect to receive either a single lump sum payment equal to the value of the participant's vested interest in the account, a partial withdrawal, or the amount may be rolled into an eligible retirement plan account established for the terminating participant.

Under the provisions of the Plan, the Plan Sponsor may be obligated to repurchase participant shares which have been distributed under the terms of the Plan as long as the shares are not publicly traded or if the shares are subject to trading limitations. During 2022 and 2021, the Plan Sponsor did not repurchase any shares from participants.

Forfeited Accounts – Forfeited balances of terminated participants' nonvested accounts are used to reduce administrative costs and then future Company contributions. At December 31, 2022 and 2021, forfeited non-vested accounts totaled **\$11,941** and \$8,786, respectively. During 2022, **\$149** was forfeited by participants who withdrew from the Plan. Additionally during 2022, **\$149** of the forfeited funds were reallocated to the remaining participants and **\$3,155** of dividends were earned.

Administrative Expenses – As provided in the plan agreement, administrative expenses may be paid by the Plan or by the Plan Sponsor. Historically, the Plan Sponsor has paid the administrative expenses of the Plan. Participants are charged fees associated with specific transactions (distributions, etc.) which are incurred individually and are deducted from the participants' accounts as the fees are incurred.

Third Party Providers – The Plan Sponsor has an agreement with Blueridge ESOP and Associates ("Blueridge") to perform recordkeeping and ERISA compliance services. The Plan Sponsor paid Blueridge a total of **\$19,856** during the year ended December 31, 2022 for administrative services. In 2022, the Plan Sponsor also paid another service provider **\$10,105** for stock valuation services.

Termination of the Plan – Although the Company has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their employer contributions and earnings thereon without regard to the number of years worked. Upon such termination of the Plan, the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the IRC.

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Plan’s financial statements are reported on the accrual basis of accounting.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. Significant estimate is value of stock which could change in near term.

Investment Valuation and Income Recognition – The shares of the Holding Company’s common stock are valued at fair value. See Note 10 for discussion of fair value measurements. Dividend income is accrued on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Net change includes the Plan’s gains and losses on investments bought and sold as well as held during the year.

Cash and Cash Equivalents – The Plan maintains its interest bearing trust account with the Plan Sponsor, a financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2022, the Plan’s total uninsured cash balance was **\$207,233**.

Excess Contributions Payable – Non-discrimination testing performed by the third party administrator, found that the average deferral percentage for highly compensated participants was greater than the allowable maximum average for the plan year ending December 31, 2022 and 2021. The amount of excess 2022 contributions refunded in 2023 totaled **\$7,054**. The amount of excess 2021 contributions refunded in 2022 totaled \$5,114.

Payment of Benefits – Benefits are recorded when paid.

Funding Policy – It is the policy of the Plan’s employer to deposit the participants’ withheld contributions within the ERISA required time limit which is the earliest date they can be segregated from general assets.

Withdrawing Participant Obligations – Amounts allocated to withdrawing participants are claims that have been processed and approved for payment prior to year-end, but not paid as of that date. These amounts were deemed immaterial for the years ended December 31, 2022 and 2021.

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

3. PARTY-IN INTEREST TRANSACTIONS

The Plan invests in the Holding Company common stock. This is a related party and party-in-interest transaction. As discussed in Note 1, the Plan has a number of service providers which are considered parties-in-interest under ERISA. The plan participants paid fees for transactions incurred in 2022 to the Recordkeeper in the amount of **\$2,052**.

4. ADMINISTRATION OF PLAN ASSETS

The Plan's assets, which consist principally of the Holding Company's common stock, are held by the Trustee of the Plan. The Plan Sponsor's contributions are held and managed by the Trustee, which invests cash received, interest, and dividend income and makes distributions to participants. Certain administrative functions are performed by officers or employees of the Plan Sponsor. No such officer or employee receives compensation from the Plan. Administrative expenses for the Trustee's fees are paid directly by the Plan Sponsor.

5. RISKS AND UNCERTAINTIES

The Plan investments consist primarily of the Holding Company's common stock, which is exposed to various risks, including interest rate, market, and credit risks, as well as valuation assumptions based on earnings and cash flows. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the common stock will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, to Schedule H of Form 5500:

	<u>2022</u>	<u>2021</u>
Net assets available for plan benefits per financial statements	\$ 12,989,893	\$ 13,188,569
Excess contributions payable returned in the following year, excluded on Form 5500	<u>7,054</u>	<u>5,114</u>
Net assets available for plan benefits per Form 5500	<u>\$ 12,996,947</u>	<u>\$ 13,193,683</u>

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (continued)

The following is a reconciliation of the changes in net assets available for benefits per the financial statements for the year ended December 31, 2022, to Schedule H of Form 5500:

Net change in net assets available for benefits per financial statements	\$ (198,676)
Prior year excess contributions refunded in current year on 5500	(5,114)
2022 Excess contributions returned in 2023 excluded on Form 5500	<u>7,054</u>
Net change in net assets available for benefits per Form 5500	<u>\$ (196,736)</u>

7. FEDERAL INCOME TAXES

The Plan obtained its latest determination letter in October 2013, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code ("IRC"). The Plan has been amended since receiving the determination letter, the Plan Administrator and the Trustee believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

U.S. generally accepted accounting principles require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2019.

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

8. INVESTMENTS

The Plan's investments in Coastal Bend Bancshares, Inc. Common Stock are as follows at December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Allocated</u>	<u>Unallocated</u>	<u>Allocated</u>	<u>Unallocated</u>
Number of Shares	<u>142,640</u>	<u>-</u>	<u>142,640</u>	<u>-</u>
Cost	<u>\$ 4,223,209</u>	<u>\$ -</u>	<u>\$ 4,223,209</u>	<u>\$ -</u>
Fair Value	<u>\$ 12,245,643</u>	<u>\$ -</u>	<u>\$ 12,441,061</u>	<u>\$ -</u>

9. FIDELITY BOND

The Plan was covered by a fidelity bond for the years ended December 31, 2022 and 2021. The Plan coverage was in accordance with regulations.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB Accounting Standards Codification 820 ("FASB ASC 820"), "*Fair Value Measurements and Disclosures*," provides the framework for measuring fair value for financial assets and liabilities. The Plan does not have any nonfinancial assets or liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs to the valuation methodology are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 Inputs – Significant unobservable inputs that reflect an entity’s own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. The Plan Administrator determines fair value based on quoted market prices, where available. If quoted prices are not available, fair value is estimated based upon other observable inputs. The Plan Administrator uses unobservable inputs when observable inputs are not available. Adjustments may be made to reflect the assumptions that market participants would use in pricing the asset or liability.

Common Stock – The fair value of the Holding Company’s common stock is based upon a semi-annual independent appraisal. This appraisal was based on a combination of the market and income valuation approaches consistent with prior years. Ultimately, the discounted cash flow analysis by application of the dividend discount model provided the best basis for establishing the fair market value. The analysis was grounded in the guidelines presented in Internal Revenue Ruling 59-60, which provides guidance on how to value stock of corporations where market quotations are not available. The appraiser took into account the nature and history of the business, historical and projected cash flow and net earnings, profitability and market value ratios, market comparisons, dividend paying capacity, and applicable discounts and premiums.

The valuation process involves the ESOP committee’s selection of an independent appraisal which has been contracted since 1999 with the right to cancel such contract at anytime. The Plan Sponsor’s management accumulates the data for the appraisal from the Plan Sponsor and Holding Company’s financial statements that are subsequently subjected to a financial statement audit. The appraiser prepares a report with the Plan Sponsor’s management, which the ESOP committee reviews in detail, discusses and approves.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table presents information about the Plan's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the inputs utilized to determine those fair values:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2022				
Common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,245,643</u>	<u>\$12,245,643</u>
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,245,643</u>	<u>\$12,245,643</u>
December 31, 2021				
Common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,441,061</u>	<u>\$12,441,061</u>
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,441,061</u>	<u>\$12,441,061</u>

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) of the Coastal Bend Bancshares, Inc. Common Stock for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at January 1,	<u>\$12,441,061</u>	<u>\$10,506,838</u>
Realized gains (losses)	-	-
Unrealized gains (losses) relating to instruments still held at the reporting date	<u>(195,418)</u>	<u>1,634,223</u>
Purchases	-	300,000
Issues	-	-
Sales	-	-
Settlements	-	-
Balance at December 31,	<u>\$12,245,643</u>	<u>\$12,441,061</u>

Gains and losses included in changes in net assets available for benefits for the year ended December 31, 2022, are reported net of unrealized changes in fair value of investments. The Plan's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2022 and 2021, there were no transfers in to or out of Level 3.

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

11. SECURE 2.0 ACT OF 2022

On December 29, 2022, the SECURE 2.0 Act of 2022 (“SECURE 2.0 Act”) was enacted to help improve retirement savings. The SECURE 2.0 Act made wide-ranging changes, both mandatory and elective, to qualified plans and its provisions have various effective dates. Significant provisions include the following:

- increase the required minimum distribution (“RMD”) age from 72 to 73, effective January 1, 2023, and to age 75, effective January 1, 2033;
- reduce the excise tax for failure to take RMDs from 50% to 25% of the RMD amount that was not taken, beginning January 1, 2023; and
- require all catch-up contributions for participants with compensation of more than \$145,000 (indexed for inflation) to be designated as Roth 401(k) contributions beginning after December 31, 2023.

The Plan will incorporate changes in its Plan document and administration to the extent required by the SECURE 2.0 Act.

12. SUBSEQUENT EVENTS

The Plan Administrator has performed a review of subsequent events through September 12, 2023, which is the date the financial statements were available for issuance, and concludes there were no events or transactions occurring during this period that required recognition or disclosure in the financial statements. Any events occurring after this date have not been factored into the financial statements being presented.

SUPPLEMENTARY INFORMATION

**COASTAL BEND BANCSHARES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)

EIN #76-0024722

PLAN NUMBER 002

PLAN YEAR 1/1/22 – 12/31/22

(a)	(b) Identity of issuer, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, par or maturity value	(d) Cost	(e) Current value
	Cash			
*	First Community Bank Reliance Trust	Cash - Interest Bearing		\$ 457,233
		Cash - Interest Bearing		6,413
				<u>463,646</u>
	Common Stock			
*	Coastal Bend Bancshares, Inc.	142,640 shares	4,223,209	<u>12,245,643</u>
		Total investments		<u><u>\$ 12,709,289</u></u>

* Indicates Party-in-Interest to Plan

See Report of Independent Auditors.

Name of Plan:			
► Coastal Bend Bancshares, Inc. Employee Stock Ownership Plan and Trust			
Employer Identification Number: ►	76-0024722		
For plan year (beginning/ending): ►	1/1/2022-12/31/2022	Plan number: ►	002

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