

Happy Bancshares, Inc.
2020 Annual Report





◆ MISSION STATEMENT ◆

*Work hard, have fun, make money,
while providing outstanding customer service
and honoring the Golden Rule.*

To Our Stockholders and Customers

2020... what an unpredictable year. While no one could have imagined the challenges, obstacles, disappointments and losses the year would bring, it gave us greater motivation to look for the silver lining and refocus on the things that matter most.

COVID-19 created struggles we never could have imagined and remains at the forefront of our minds. In March, our IT and Facilities teams helped relocate nearly 700 employees to home offices within four or five days – something banks twice our size weren't able to do with such precision. Thanks to the creativity, flexibility and can-do attitudes of our Happy team, as well as a robust online account opening platform and the introduction of ITMs (our live teller ATMs), we have continued to meet the needs of our customers and bring a whole new meaning to the Happy experience.

Local businesses have been among those hardest hit, and Happy has been a great source of support during these difficult times, providing over 3,400 businesses with nearly \$300 million in PPP loans and most being completely forgiven. Helping these businesses stay open and keep their folks employed is a true testimony of what it means to be a community bank.

Despite the pandemic, Happy State Bank had its best year yet. Here are several highlights we'd like to share:

- Stock Value – While most banks saw their stock values plummet, ours increased \$5.25 to \$53.50/share
- HBI Earnings – A record \$50,529,000
- Through virtual roadshows, we raised over \$71 million in capital – our second-best capital raise ever
- Pat passed the CEO reins to Mikel in April while remaining chairman of the board
- With \$4.7 billion in deposits, \$3.4 billion in loans and over \$5.6 billion in assets, we are well-capitalized and well-positioned for continued growth in 2021
- Two completed acquisitions with two additional mergers announced
- Three *de novo* branches opened in Amarillo and two new LPO offices opened in Round Rock and Fort Worth
- With a 36.25% increase in revenue, a 37.89% increase in net income and \$914 million in assets under management, 2020 was an outstanding year for Happy Trust Co.
- For the seventh year straight, American Banker named Happy State Bank one of its **Best Banks to Work For**, ranking us #37 out of 5,000 banks across the nation

Through pandemics, elections, good days and bad, bountiful harvests and difficult seasons, one thing is certain. God is in control. As our guiding light and comforter, he celebrates and mourns with us. He has entrusted us to be good stewards of the resources he has bestowed upon us through Happy State Bank, and we do not take that responsibility lightly.

We look forward to serving our many friends and neighbors for many years to come.

Pat & Mikel



A blue ink signature of J. Pat Hickman.

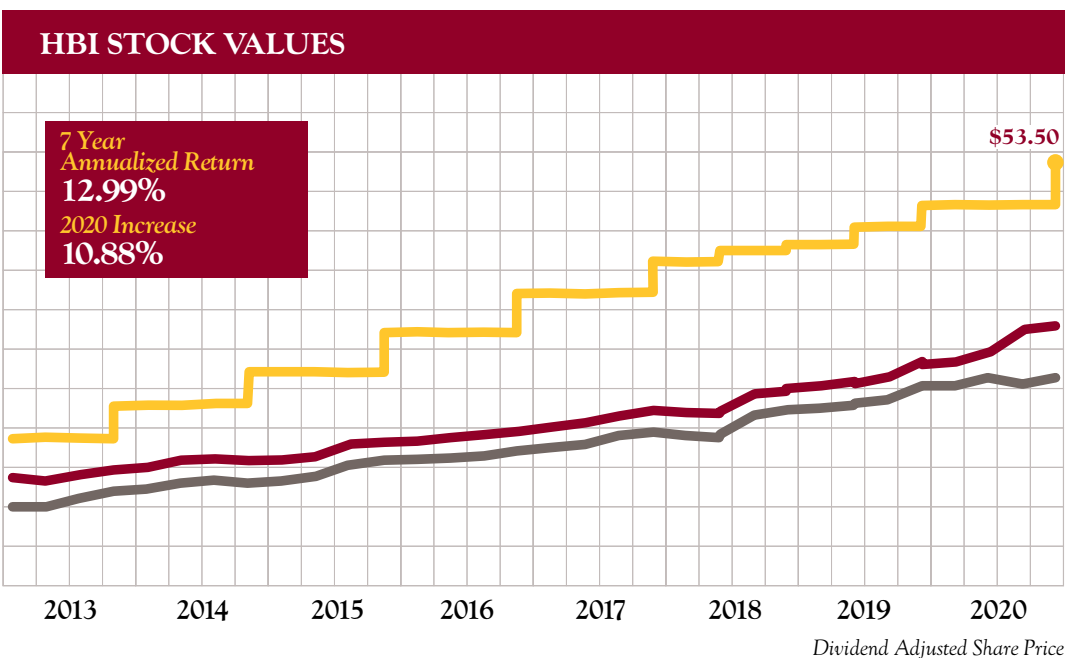
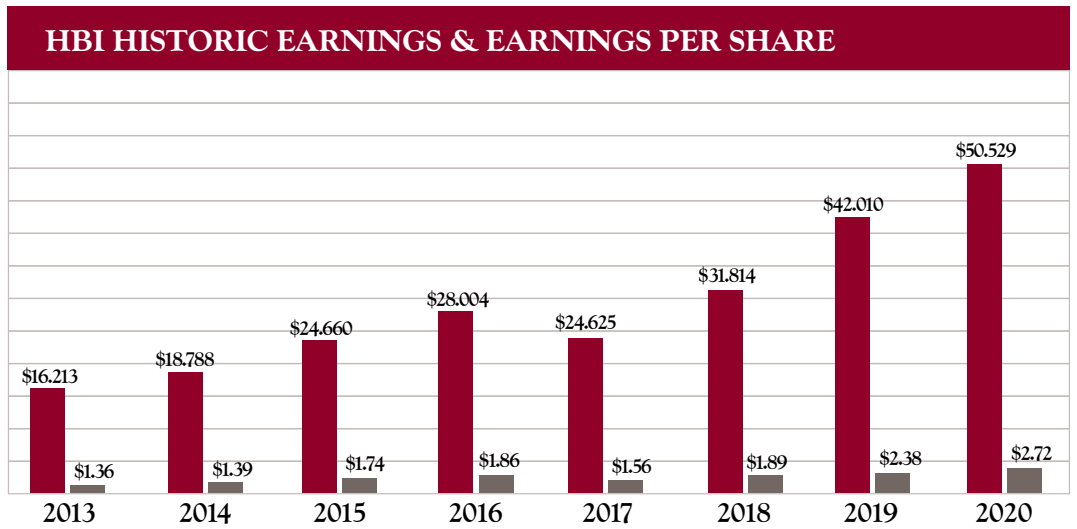
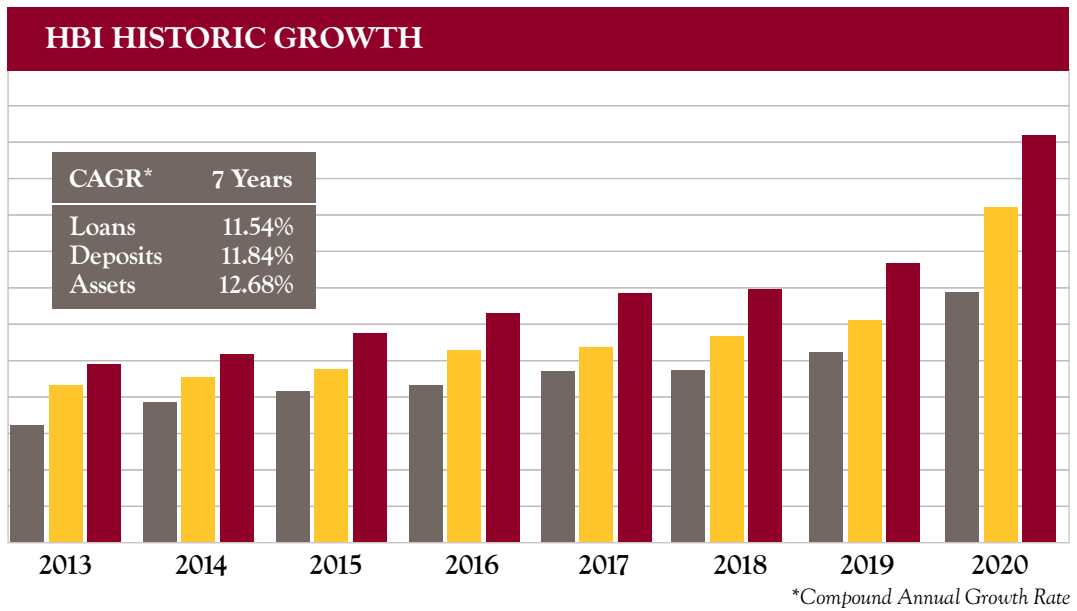
J. Pat Hickman, *Chairman*



A blue ink signature of Mikel Williamson.

Mikel Williamson, *President & CEO*

Financials



HAPPY BANCSHARES, INC.

Statement of Condition

BALANCE SHEET

(Dollars in thousands)	2018	2019	2020	Change from 2019 to 2020
ASSETS				
Cash & Due from Banks	\$ 181,478	\$ 219,746	\$ 721,207	228%
Investments	580,870	692,467	986,958	43%
Loans	2,352,080	2,612,576	3,441,128	32%
Fixed Assets	111,265	115,662	157,076	36%
Other Assets	220,688	188,837	334,562	77%
TOTAL ASSETS	3,446,381	3,829,288	5,640,931	47%
LIABILITIES				
Deposits	2,813,600	3,040,314	4,685,660	54%
Other Liabilities	171,458	253,426	286,631	13%
TOTAL LIABILITIES	2,985,058	3,293,740	4,972,291	51%
CAPITAL				
Common Stock	18,086	18,593	19,838	7%
Capital Surplus	241,217	260,467	317,732	22%
Retained Earnings	208,102	250,030	300,559	20%
Accumulated other comprehensive income	(6,082)	6,458	30,511	372%
TOTAL CAPITAL	461,323	535,548	668,640	25%
TOTAL LIABILITIES & EQUITY CAPITAL	\$ 3,446,381	\$ 3,829,288	\$ 5,640,931	47%

INCOME STATEMENT

(Dollars in thousands)	2018	2019	2020	Change from 2019 to 2020
NET INTEREST INCOME				
Interest Income	\$ 147,387	\$ 164,171	\$ 197,151	20%
Interest Expense	27,592	34,718	22,481	-35%
	119,795	129,453	174,670	35%
Provision for Loan Losses	6,300	8,650	23,350	170%
NON INTEREST INCOME				
Service Charges	17,482	18,816	20,548	9%
Other Non Interest Income	15,974	24,710	32,938	33%
	33,456	43,526	53,846	23%
NON INTEREST EXPENSE				
Salaries and Employee Benefits	66,076	68,385	87,736	28%
Occupancy and Equipment Expense, Net	12,850	14,221	16,662	17%
Data Processing	6,939	7,871	10,275	31%
Other	25,864	24,048	28,979	21%
	111,792	114,525	143,652	25%
Net Income before Tax	35,222	49,804	61,154	23%
Income Tax	3,408	7,794	10,625	36%
NET INCOME	\$ 31,814	\$ 42,010	\$ 50,529	20%

Growing Our Community

2020 was a year of growth for Happy State Bank. In January, First State Bank of Mobeetie joined Happy with locations in Mobeetie and Wheeler. Over the summer, Happy opened three new branches in Amarillo – Teckla, I40 & Grand and NE 24th & Grand. With two additional locations serving Northeast Amarillo, Happy can give our neighbors more convenient access to banking and credit services.

In November, the Centennial BANK acquisition was completed – the largest to date – growing Happy’s footprint to a total of 57 branches in 41 communities across the Texas Panhandle, South Plains, Austin, Central Texas and the Dallas/Fort Worth Metroplex. With the addition of two new loan production offices in Round Rock and Fort Worth, Happy is well-positioned to serve our thriving business community’s lending needs.

In late 2020, Happy announced two additional mergers slated for 2021 – First Bank of Muleshoe, with locations in Muleshoe, Dimmitt and Bovina, and First National Bank of Tahoka, with one location in Tahoka.

Happy Investments at Happy State Bank welcomed the Murphy Team. The addition brings two new offices, with one in Guymon, Oklahoma – Happy’s first location outside of Texas.



Reported Volunteer Hours = 4,045
Organizations Served = 280

Due to COVID-19, volunteering in 2020 looked quite a bit different for many in our communities. However, in typical Happy fashion, our folks figured out new and different ways to serve others during a pandemic. From providing first responders with meals to safely participating in organized events and community fundraisers, the Happy family showed up to lend a helping hand.



Board of Directors | Happy Bancshares, Inc. | Happy State Bank

Our Board of Directors acts as advisor and counselor to senior executives and ensures that our high ethical standards are an essential element of, and reflected in, our everyday culture.

J. Pat Hickman
Chairman

Matthew Bumstead

Bill Jennings

Nancy Gaitan-Kernell

Mike H. Kuhlman

Frank O. Marrs

Drayton McLane Jr.

Drayton McLane III

Ginger Nelson

George Bailey Peyton, IV

J. Brian Sims, M.D.

Trent Sisemore

Brian L. Vincent

Victor "Vic" A. Weir, II

J. David Williams

Mikel Williamson

John Zwiacher

Executive Leadership | Happy State Bank

Mikel Williamson
President & CEO

Eric Alexander
Chief Financial Officer

Kayla Carpenter
Chief of Staff

Wendi Costlow
Marketing

Ross Glenn
Special Assets

Robert Gottlich
Corporate Banking

David Jones
General Counsel

Scott Lewis
Senior Credit Officer

Renee McNeely
Human Resources

Connie Ratliff
Enterprise Risk Management

Alberto Rios
Chief Operating Officer

David Smith
Acquisitions

Alan VanOngevalle
Other Financial Services



HAPPY[®]

Branch Locations

7 YEARS IN A ROW!

AMERICAN BANKER

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TO WORK
FOR 2020**



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HAPPY
INVESTMENT
SERVICES



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