Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Ed Rumage
Name of the Holding Company Director and Official

President/CEO/Director
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

09/08/2021
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
- [X] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID
C.I.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2020
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Jacksboro National Bancshares, Inc.
Legal Title of Holding Company

P.O. Box A
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Jacksboro	TX	76458

910 N Main, Jacksboro, TX 76458
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Craig Anderle	Chief Financial Officer

940/567-5551/4106
Area Code / Phone Number / Extension

940/567-3592
Area Code / FAX Number

canderle@mybanktexas.com
E-mail Address

Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

JACKSBORO NATIONAL BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

and

THE JACKSBORO NATIONAL BANK

YEARS ENDED DECEMBER 31, 2020 AND 2019

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

March 10, 2021

Dear Shareholders:

First of all, I would like to express my hope that each of you and your family are safe and healthy in the midst of this pandemic. 2020 held many surprises that we could not have foreseen at this time last year. In spite of the difficulties and challenges, Jacksboro National Bancshares, Inc. (the "Company") and its subsidiary, The Jacksboro National Bank (the "Bank") had another profitable year. Net income was down slightly to $2,539,470. I would like to commend our directors and staff who showed remarkable flexibility, innovation, and resiliency during the pandemic in order to continue serving our customers and performing their job duties while keeping themselves, their families, and our customers safe. Even though we did have a few employees test positive for COVID-19, the source of infections did not originate within the Bank and there is no indication that any of our staff spread the virus to customers or other employees.

The pandemic and ensuing economic downturn led to a significant decrease in commercial loan demand. Conversely, the very low rate environment fueled a substantial increase in residential loan demand. Total loans decreased over $5,000,000 during 2020, but our mortgage department had their best year since inception in 2013. The total dollar amount of mortgage loans produced during 2020 increase 84% over 2019. Income from the sale of mortgage loans increased $570,927 for a total of $1,424,874.

Deposits surged to $228,694,315, a 12.72% increase. The sluggish economy hampered economic investment and strong banks such as ours provided a safe haven for this excess liquidity in the market. Even with the growth we experienced, the Bank's Tier I Leverage Capital Ratio remained very strong at 12.32%. The book value per share of Company stock increased by 17.33% to $2,720.57 per share. The Company continues to provide a great return on your investment and also continues to retain enough capital to support the growth of the Company and provide a source of liquidity for our shareholders.

We anticipate earnings to be lower in 2021 due the tight interest rate margins and somewhat subdued commercial loan demand. However, we expect mortgage loan activity to be strong for the first half of the year. This diversity of products we offer and markets we serve will help to provide some stability during these volatile times we are facing.

As always, I want to take this opportunity to express my sincere gratitude to our shareholders for trusting your investment in the Company to us. This privilege continues to be taken seriously and maximizing the value of your investment remains our top priority.

Sincerely,

Ed Rumage

Ed Rumage
President/CEO

Lukert, Mayers, Widner & Co., P.C.
Certified Public Accountants

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Independent Auditors' Report

The Board of Directors and Shareholders
Jacksboro National Bancshares, Inc.
Jacksboro, Texas

We have audited the accompanying consolidated financial statements of Jacksboro National Bancshares, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jacksboro National Bancshares, Inc. and its subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying balance sheets of The Jacksboro National Bank as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, shareholder's equity, and cash flows for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lakey, Mayes, Widner & Co., P.C.

Graham, Texas
March 10, 2021

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	$ 9,344,926	$ 7,485,601
Securities available for sale	146,780,282	111,893,735
Loans:		
Held for investment	101,845,734	108,112,575
Held for sale	1,959,859	763,450
	103,805,593	108,876,025
Less allowance for loan loss	(1,799,015)	(1,667,149)
Net loans	102,006,578	107,208,876
Property and equipment, net	5,986,963	6,292,678
Accrued interest receivable	1,710,905	1,618,835
Other assets	532,081	935,945
Total assets	$ 266,361,735	$ 235,435,670
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand deposits	$ 84,062,279	$ 66,147,761
Savings, NOW and money market deposits	107,104,273	93,534,475
Time deposits	37,527,763	43,188,061
Total deposits	228,694,315	202,870,297
Accrued interest payable	45,351	127,954
Other liabilities	99,909	-
Total liabilities	228,839,575	202,998,251
Commitments and contingencies (Note 1)		
Shareholders' equity:		
Capital stock, $1 par value, 1,000,000 shares authorized, 13,792 and 13,989 issued and outstanding in 2020 and 2019, respectively	13,792	13,989
Paid-in capital	1,682,154	1,682,154
Retained earnings	29,845,320	28,468,771
Accumulated other comprehensive income	5,980,894	2,272,505
Total shareholders' equity	37,522,160	32,437,419
Total liabilities and shareholders' equity	$ 266,361,735	$ 235,435,670

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Interest income:		
Interest and fees on loans	$ 6,414,664	$ 6,973,592
Interest on investment securities	2,656,871	2,699,026
Total interest income	9,071,535	9,672,618
Interest expense:		
Deposits	987,488	1,330,655
Other	9,221	81,666
Total interest expense	996,709	1,412,321
Net interest income	8,074,826	8,260,297
Provision for loan losses	(185,000)	(120,000)
Net interest income after provision for loan losses	7,889,826	8,140,297
Other income:		
Service charges on deposit accounts	486,532	562,885
Other service charges and fees	603,249	582,276
Net realized gain on securities	81,182	59,464
Gain on sale of property and equipment	-	32,903
Gain from sales of mortgage loans	1,424,874	853,947
Gain (loss) from sale of foreclosed assets	(20,548)	110,132
Other income	143,049	248,218
Total other income	2,718,338	2,449,825
Other expense:		
Salaries and employee benefits	4,872,577	4,636,148
Property and equipment expense	1,120,723	1,129,558
Advertising and promotion expense	141,870	190,770
Computer service expense	712,407	672,075
Legal and professional fees	97,229	73,377
Stationary and printing expense	126,610	111,835
Consulting	136,302	137,719
Director fees	250,675	227,675
FDIC insurance premiums	55,841	13,476
Foreclosed asset expense	(56,244)	124,800
Loan expense	126,088	124,137
Other expense	484,616	455,793
Total other expense	8,068,694	7,897,363
Net income	$ 2,539,470	$ 2,692,759

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net income	$ 2,539,470	$ 2,692,759
Other comprehensive income:		
Change in unrealized appreciation on securities available for sale	3,733,713	4,479,810
Adjustment for (gains) losses realized on securities available for sale and included in net income	(25,324)	126,674
Total other comprehensive income	3,708,389	4,606,484
Total comprehensive income	$ 6,247,859	$ 7,299,243

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2018	$ 14,118	$ 1,682,154	$26,369,076	$ (2,333,979)	$25,731,369
Net income	-	-	2,692,759	-	2,692,759
Unrealized appreciation on securities available for sale	-	-	-	4,479,810	4,479,810
Reclassification adjustment for loss included in net income	-	-	-	126,674	126,674
Purchase of capital stock	(129)	-	(311,839)	-	(311,968)
Distributions ($20.00 per share)	-	-	(281,225)	-	(281,225)
Balance, December 31, 2019	13,989	1,682,154	28,468,771	2,272,505	32,437,419
Net income	-	-	2,539,470	-	2,539,470
Unrealized appreciation on securities available for sale	-	-	-	3,733,713	3,733,713
Reclassification adjustment for gain included in net income	-	-	-	(25,324)	(25,324)
Purchase of capital stock	(197)	-	(603,961)	-	(604,158)
Distributions ($40.00 per share)	-	-	(558,960)	-	(558,960)
Balance, December 31, 2020	$ 13,792	$ 1,682,154	$29,845,320	$ 5,980,894	$37,522,160

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Net income	$ 2,539,470	$ 2,692,759
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	312,717	313,785
(Gain) loss on disposal of property and equipment	-	(32,903)
(Gain) loss on sale of repossessed assets	17,748	(110,132)
Provision for loan losses	185,000	120,000
Net realized (gain) loss on securities	(81,182)	(59,464)
Premium amortization net of discount accretion on securities	1,444,474	1,108,706
Gain from sales of mortgage loans	(1,424,874)	(853,947)
Proceeds from sales of mortgage loans	59,002,546	31,738,303
Originations of mortgage loans for sale	(57,577,672)	(30,884,356)
(Increase) decrease in accrued interest receivable	(92,070)	21,177
(Increase) decrease in other assets	68,235	138,035
Increase (decrease) in accrued interest payable	(82,603)	22,931
Increase (decrease) in other liabilities	99,909	(18,278)
Total adjustments	1,872,228	1,503,857
Net cash provided by operating activities	4,411,698	4,196,616
Cash flows from investing activities:		
Principal reduction on mortgage-backed securities	15,275,434	10,794,127
Proceeds from maturities of available-for-sale securities	2,865,000	16,655,000
Proceeds from sales of available-for-sale securities	12,104,991	9,755,081
Purchase of available-for-sale securities	(62,786,875)	(35,066,706)
Net decrease in loans	4,775,113	2,535,445
Purchase of property and equipment	(7,002)	(175,385)
Proceeds from sales of property and equipment	-	42,000
Proceeds from sales of repossessed assets	560,066	3,037,805
Net cash provided (used) by investing activities	(27,213,273)	7,577,367
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	17,914,518	(9,576,349)
Net increase (decrease) in savings, NOW and money market deposits	13,569,798	(11,246,142)
Net increase (decrease) in time deposits	(5,660,298)	9,245,508
Purchase of capital stock	(604,158)	(311,968)
Distributions	(558,960)	(281,225)
Net cash provided (used) by financing activities	24,660,900	(12,170,176)
Net increase (decrease) in cash and due from banks	1,859,325	(396,193)
Cash and due from banks, beginning of year	7,485,601	7,881,794
Cash and due from banks, end of year	$ 9,344,926	$ 7,485,601

The accompanying notes are an integral part of this statement.

1. **Summary of significant accounting policies**

The accounting policies of Jacksboro National Bancshares, Inc. (the Company) and subsidiary conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The Company was incorporated for the purpose of becoming a bank holding company. Its subsidiary, The Jacksboro National Bank (the Bank), provides full banking services. The Bank generates real estate, including residential, agricultural, commercial, and consumer loans and receives deposits from customers primarily in Jack, Montague, and Wichita counties and in the north central part of Texas.

Date of management's review of subsequent events - Management has evaluated subsequent events through March 10, 2021, the date which the financial statements were available to be issued.

Consolidation and ownership - The financial statements of Jacksboro National Bancshares, Inc. include the accounts of the Company and the accounts of its subsidiary, The Jacksboro National Bank. The Bank is wholly owned by the Company. All material intercompany transactions and balances have been eliminated.

Restrictions on cash and due from banks - Under regulations promulgated by the Federal Reserve Board, the Bank is required to maintain reserve balances on hand or with the Federal Reserve Bank. The amounts of those reserve balances as of December 31, 2020 and 2019 were $0.

Investment securities - Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as available for sale or held to maturity. Securities available for sale are those securities which the Company may decide to sell prior to their maturity in response to change in interest rates, liquidity needs, or for other purposes. Securities available for sale are reported at fair value. The net unrealized gain or loss on securities available for sale is reported as accumulated other comprehensive income, a separate component of shareholders' equity, until realized. Securities held to maturity are securities that the Company has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at amortized cost. Management is no longer classifying security purchases as held to maturity.

Amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the securities, computed by the interest method. Realized gains (losses) on securities are included in other income and, when applicable, are reported as a reclassification adjustment in accumulated other comprehensive income. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions 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 Company's investment portfolio consists of traditional investments, substantially in U.S. Agency securities, obligations of U.S. government sponsored enterprises and agencies, mortgage pass-through securities, corporate stock, mutual funds and general obligation municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third party pricing services to value its investment securities. The Company reviews the prices supplied by the independent pricing services as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The Company validates quarterly, on a sample basis, prices supplied by the independent pricing services by comparison to prices obtained from other third party sources.

Federal Home Loan Bank stock - Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula and was $94,200 and $96,200 at December 31, 2020 and 2019, respectively.

FHLB stock is carried at cost on the balance sheets in securities available for sale and totaled $728,600 and $679,800 at December 31, 2020 and 2019, respectively. FHLB stock is held as collateral to secure FHLB advances.

Loans - The Bank grants real estate, including residential, agricultural, commercial, and consumer loans to customers primarily in Jack, Montague, and Wichita counties and in the north central part of Texas. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is substantially dependent upon the general economic conditions of the region. Loans are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses. Loans held for sale are carried at the lower of cost or market. Interest on loans is recognized over the term of the loan and is accrued on the unpaid principal balance.

The Company has certain lending policies and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis and makes changes as appropriate. Management receives and reviews periodic reports related to loan originations, quality, concentrations, delinquencies, nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geographic location.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and effectively. Underwriting standards are designed to determine whether the borrower possesses sound business ethics and practices and to evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory and include personal guarantees.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. These agricultural loans are based primarily on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most agricultural loans are secured by the agriculture related assets being financed, such as farm land, cattle or equipment and include personal guarantees.

Residential and commercial real estate loans are subject to underwriting standards and processes similar to commercial and agricultural loans. These loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. The repayment of real estate loans is generally largely dependent on the successful operation of the property securing the loans, the business conducted on the property securing the loan, or the cash flow of the borrower. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's real estate portfolio are generally diverse in terms of type and geographic location. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry. Generally, real estate loans are owner occupied which further reduces the Company's risk.

Consumer loan underwriting utilizes methodical credit standards and analysis to supplement the Company's underwriting policies and procedures. The Company's loan policy addresses types of consumer loans that may be originated and the collateral, if secured, which must be perfected. The relatively small individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimize the Company's risk.

Allowance for loan losses - The allowance consists of specific and general components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectibility of those portfolios. The allowance on certain homogenous loan portfolios is based on aggregated portfolio segment evaluations. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Company's residential real estate and real estate portfolios are comprised primarily of homogenous loans secured by residential and commercial real estate, respectively. The amount of losses incurred in the homogenous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. The Company estimates how many of the homogenous loans will default based on the individual loans' attributes aggregated into pools of homogenous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include the loan-to-value, borrower credit score, months since origination, geography, and present collection status. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment.

The allowance on the remaining portfolio segments (agriculture, commercial and consumer) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity and other financial and qualitative factors. These factors are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Although we believe we use the best information available to make loan loss allowance determinations, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making our initial determinations. A further downturn in the economy and employment could result in increased levels of non-performing assets and charge-offs, increased loan provisions and reductions in income. Additionally, bank regulatory agencies periodically review our allowance for loan losses and could require additions to the loan loss allowance based on their judgment on information available to them at the time of their examination.

Nonperfoming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable the scheduled payments of principal or interest will be uncollectible when due, according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral for collateral-dependent loans.

For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject of a restructuring agreement.

The outstanding balance of residential real estate and real estate secured loans that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell is determined utilizing appraisals or broker opinions of the fair value of the collateral.

The outstanding balance of loans within the remaining loan segments (agriculture, commercial and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value. The fair value of the collateral is estimated by management based on current financial information, inspections and appraisals. For unsecured loans, the outstanding balance is written off.

Loans within all portfolio segments are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. Accrued interest receivable is reversed when a loan is placed on nonaccrual status. Interest collections on nonaccrual loans for which the ultimate collectibility of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to interest income when received. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans whose contractual terms have been modified in a TDR and are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and repayment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. TDRs that are on accrual status are reported as perfoming TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

A troubled debt restructured loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms which have been modified or restructured due to a borrower's financial difficulty include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan would generally be considered impaired.

Mortgage loan sales - The Bank has a program to originate mortgage loans for sale, complying with the specific requirements of the investors purchasing the loan. Investors review the underlying documentation prior to completing their purchase. Individual loans that fail to meet the specified criteria would not be purchased. If exceptions cannot be corrected, the Bank would retain the loan in its portfolio. The Bank does not retain the right to service the sold loans. Additionally, the loans are sold to the investors with limited recourse. Management has determined underwriting standards and collateral values of sold loans minimizes any contingent liability.

Loan proceeds from sales of mortgage loans were $59,002,546 and $31,738,303 for December 31, 2020 and 2019, respectively. Gains on sales of mortgages are recognized when the investor has funded the purchase. The gain is based on the loan origination fees paid by the borrower and service release premiums paid by the investor, net of any purchase premium or discount. Gains realized during 2020 and 2019 were $1,424,874 and $853,947, respectively.

The Bank had a program where the servicing rights were retained by the Bank. Servicing rights, which were acquired through origination and were retained after the underlying mortgage loans were transferred through sale, were to be separately recognized in other assets in accordance with accounting principles generally accepted in the United States of America. The servicing assets, net of the cost to service the assets, are to be amortized into service charges over the period of the estimated net servicing income on the underlying mortgage loans. Management has determined the servicing asset or liability to be recognized is immaterial and therefore, has not recorded any potential asset or liability as of December 31, 2020 or 2019.

Loan origination fees and costs - Fees and costs associated with originating loans are recognized in income generally in the period in which fees were received and/or costs were incurred. In accordance with accounting principles generally accepted in the United States of America, such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of the yield. For the two years presented in the statements of income, management believes not deferring such fees and costs and amortizing them over the life of the related loans does not materially affect the Company's financial position or results of operations.

Loans held for sale - Loans held for sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans.

Long-term assets - Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

Property and equipment - Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Gains and losses on sales and retirements are reflected in current operations. Major improvements and costs are capitalized. Costs incurred for maintenance, repairs and minor improvements are expensed as incurred. Depreciation expense for the years ended December 31, 2020 and 2019 was $312,717 and $313,785, respectively.

Other assets - Goodwill, which represents the excess of the acquisition cost of purchased assets over the fair value of the net assets at the date of acquisition and the costs associated with the purchase, are not being amortized but instead tested for impairment in accordance with authoritative guidance. Impairment testing is performed annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses that gave rise to such amount. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. There was no impairment recorded for the years ended December 31, 2020 or 2019.

Real estate properties acquired through, or in lieu of, foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the assets' fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of the new cost basis or fair value minus estimated costs to sell. Any subsequent write-downs are charged against other expenses. Cost of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The typical holding period for such properties is less than one year.

The Company records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of foreclosed assets to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Transfers of assets - The Company accounts for transfers of financial assets by recognizing the financial assets it controls and the liabilities it has incurred, derecognized financial assets when control has been surrendered and derecognized liabilities when extinguished. The statement also distinguishes transfers of financial assets that are sales from transfers of financial assets that are secured borrowings.

Service Charges on Deposit Accounts - The Company earns fees from its deposit customers for transaction-based fees, account-maintenance, and overdraft services. Transaction-based fees, which include services related to insufficient funds and stop payment charges and statement rendering are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relates primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Other service charges and fees: The Company earns fees from wire and ACH charges that are recognized when the transaction is executed. The Company also earns fees on ATM and credit card transaction when the transaction is executed.

Pension plan - The Bank has a 401-K deferred compensation plan available to all eligible employees. The Bank will match 100% of the first 5% of employee contributions. In addition, a minimum of 3% of annual employee earnings is contributed for all participants employed at year-end. The Bank made a discretionary contribution of 15% for December 31, 2020 and 2019. Total contributions, net of forfeitures, during 2020 and 2019 amounted to $462,508 and $455,994, respectively, which is included in salaries and employee benefits expense.

Advertising and promotion expense - Advertising and promotion costs are expensed as incurred. Total advertising and promotion expense for the years ended December 31, 2020 and 2019 was $141,870 and $190,770, respectively.

Income taxes - The Company and its subsidiary have elected S corporation status, under the provisions of the Internal Revenue Code and, as such, will no longer be liable for federal income taxes. Earnings and losses are included in the personal income tax returns of the shareholders and taxed depending on their personal tax structure. The Company is subject to the State of Texas tax on taxable margin. The margin tax was immaterial for the years ended December 31, 2020 and 2019. The tax is current and does not have a deferred tax component. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017 or Texas state tax examinations by tax authorities for years before 2016.

Comprehensive income - Comprehensive income, as presented in the accompanying statements of comprehensive income, is defined as the change in equity during the period from transactions and other events from non-owner sources. Comprehensive income is the total of net income and accumulated other comprehensive income, which for the Company is comprised entirely of unrealized gains and losses on securities available for sale.

Off-balance-sheet financial instruments - In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments on lines of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded. Guarantees that are not derivative contracts are to be recorded on the Company's consolidated statement of financial condition at their fair value at inception, in accordance with authoritative guidance. For the two years presented in the consolidated balance sheets, management believes not recording the liability related to guarantees does not materially affect the Company's financial position or results of operations.

Cash and cash equivalents - For purpose of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and due from banks". All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Significant group concentrations of credit risk - Most of the Bank's activities are with customers located within Jack, Montague, and Wichita counties and in the north central part of Texas. Notes 2 and 3 discuss the types of securities the Bank invests in and the types of lending the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States. As such, interest bearing, non-transaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits.

Management believes that its risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks and counterparty financial institutions. The Company has not experienced any losses in such accounts. In monitoring this risk, the Company periodically evaluates the stability of the financial institutions with which they have deposits. At December 31, 2020 and 2019, the deposits, as reported by banks totaled $1,724,575 and $1,042,071, respectively.

Legal contingencies - Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

Adoption of Accounting Standards Codification Topic 606 - As of January 1, 2019, the Company adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Company's revenues come from interest income and other sources, including loans, and securities, that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within Other income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits, interchange income and the sale of foreclosed assets.

Segment reporting - FASB ASC 280, *Segment Reporting*, encourages nonpublic entities to report selected information about operating segments in its financial reports issued to its shareholders. Based on the analysis performed by the Company, management has determined the Company only has one operating segment, which is banking. Management uses consolidated results to make operating and strategic decisions, and therefore, is not required to disclose any additional segment information.

Reclassification - Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation.

2. Investment securities

Securities have been classified in the balance sheets according to management's intent. The amortized cost and estimated market values of securities as shown in the consolidated financial statements at December 31, 2020 and 2019 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Available-for-sale securities:				
2020				
Mortgage-backed securities	$ 71,915,014	$ 1,746,871	$ 115,112	$ 73,546,773
Obligations of state and political subdivisions	68,097,774	4,349,135	-	72,446,909
Other	786,600	-	-	786,600
	$ 140,799,388	$ 6,096,006	$ 115,112	$ 146,780,282
2019				
Mortgage-backed securities	$ 52,996,670	$ 612,928	$ 251,416	$ 53,358,182
Obligations of state and political subdivisions	55,886,760	1,952,945	41,952	57,797,753
Other	737,800	-	-	737,800
	$ 109,621,230	$ 2,565,873	$ 293,368	$ 111,893,735

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Other securities include Federal Home Loan Bank, The Independent BankersBank and Federal Reserve Bank stock for which there is no readily determinable fair value or on which there are contractual restrictions on the sale or transfer of the stock. These stocks are carried at cost and evaluated for declines in value.

Securities at amortized cost of $47,104,713 and $49,627,325 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Estimated market values of pledged securities were $50,395,453 and $51,534,316 at December 31, 2020 and 2019, respectively.

The amortized cost and estimated market value of securities at December 31, 2020, by contractual maturity, are shown below.

	Available for Sale	
	Amortized Cost	Estimated Market Value
Due in one year or less	$ 1,670,961	$ 1,676,521
Due one to five years	9,322,751	9,613,694
Due five to ten years	16,861,694	18,503,611
Due after ten years	40,242,368	42,653,083
	68,097,774	72,446,909
Securities with no stated maturity	786,600	786,600
Mortgage-backed securities	71,915,014	73,546,773
	$ 140,799,388	$ 146,780,282

Amortized cost of mortgage-backed securities, by contractual maturity, includes $490,000 due within one year, $66,901,605 due from one to five years, $4,523,409 due from five to ten years and $0 due over ten years. Estimated market values of mortgage-backed securities, by contractual maturity, include $505,541 due within one year, $68,554,924 due from one to five years, $4,486,308 due from five to ten years and $0 due over ten years. The average life may differ from contractual maturity due to principal prepayments.

Proceeds from sales of available-for-sale securities during 2020 were $12,104,991. Gross gains of $139,321 and gross losses of $58,139 were realized on sales. Proceeds from sales of available-for-sale securities during 2019 were $9,755,081. Gross gains of $80,261 and gross losses of $20,797 were realized on sales.

Information pertaining to securities with gross unrealized losses at December 31, 2020 and 2019, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Estimated Market Value	Gross Unrealized Losses	Estimated Market Value
Available-for-sale securities				
2020				
Mortgage-backed securities	$ 115,112	$ 17,551,554	$ -	$ -
	$ 115,112	$ 17,551,554	$ -	$ -
Available-for-sale securities				
2019				
Mortgage-backed securities	$ 23,906	$ 4,569,011	$ 227,510	$ 22,926,762
Obligations of state and political subdivisions	40,237	2,163,281	1,715	350,142
	$ 64,143	$ 6,732,292	$ 229,225	$ 23,276,904

Management evaluates securities for other-than-temporary impairment at least 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.

At December 31, 2020, the seven debt securities with unrealized losses have depreciated less than 0.65% from the Company's amortized cost basis. These securities are guaranteed by either the U.S. Government, U.S. government agencies, or municipalities. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary. In addition, the Company holds mortgage related securities which are backed by GNMA, FNMA or FHLMC or are collateralized by securities backed by these agencies.

3. Loans

Loans at December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Residential real estate	$ 26,689,337	$ 25,892,398
Agriculture	30,669,273	32,182,655
Real estate	22,129,665	25,672,754
Commercial	17,335,790	17,692,523
Consumer	6,981,528	7,435,695
Total loans	103,805,593	108,876,025
Allowance for loan losses	(1,799,015)	(1,667,149)
Loans, net	$ 102,006,578	$ 107,208,876

Included in residential real estate loans above are loans held for sale of $1,959,859 and $763,450 at December 31, 2020 and 2019, respectively, in which the carrying amounts approximate market. Overdrawn demand deposits reclassified as loans totaled $42,105 and $33,466 at December 31, 2020 and 2019, respectively.

The following table sets forth information regarding the activity in the allowance for loan losses and recorded investment in loans for the year ended December 31, 2020:

	Residential Real Estate	Agriculture	Real Estate	Commercial	Consumer	Total
Allowance for loan losses						
Beginning balance	$ 414,289	$ 425,935	$ 394,102	$ 290,763	$ 142,060	$ 1,667,149
Provision	55,776	(25,347)	149,208	(22,987)	28,350	185,000
Recoveries	-	-	-	-	1,270	1,270
Charge-offs	-	-	-	(21,309)	(33,095)	(54,404)
Ending balance	$ 470,065	$ 400,588	$ 543,310	$ 246,467	$ 138,585	$ 1,799,015
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ 74,454	$ 18,448	$ 16,753	$ 109,655
Ending balance allocated to loans collectively evaluated for impairment	$ 470,065	$ 400,588	$ 468,856	$ 228,019	$ 121,832	$ 1,689,360

	Residential Real Estate	Agriculture	Real Estate	Commercial	Consumer	Total
Loans receivable						
Ending balance loans individually evaluated for impairment	$ 335,734	$ -	$ 329,087	$ 25,898	$ 186,969	$ 877,688
Ending balance loans collectively evaluated for impairment	26,353,603	30,669,273	21,800,578	17,309,892	6,794,559	102,927,905
Ending balance	$ 26,689,337	$ 30,669,273	$ 22,129,665	$ 17,335,790	$ 6,981,528	$103,805,593

The following table sets forth information regarding the activity in the allowance for loan losses and recorded investment in loans for the year ended December 31, 2019:

	Residential Real Estate	Agriculture	Real Estate	Commercial	Consumer	Total
Allowance for loan losses						
Beginning balance	$ 447,199	$ 398,528	$ 416,037	$ 272,602	$ 125,660	$ 1,660,026
Provision	44,615	27,407	(21,935)	13,161	56,752	120,000
Recoveries	500	-	-	5,000	2,934	8,434
Charge-offs	(78,025)	-	-	-	(43,286)	(121,311)
Ending balance	$ 414,289	$ 425,935	$ 394,102	$ 290,763	$ 142,060	$ 1,667,149
Ending balance allocated to loans individually evaluated for impairment	$ 14,224	$ -	$ -	$ 9,431	$ -	$ 23,655
Ending balance allocated to loans collectively evaluated for impairment	$ 400,065	$ 425,935	$ 394,102	$ 281,332	$ 142,060	$ 1,643,494
Loans receivable						
Ending balance loans individually evaluated for impairment	$ 746,474	$ -	$ 240,716	$ 207,534	$ 42,661	$ 1,237,385
Ending balance loans collectively evaluated for impairment	25,145,924	32,182,655	25,432,038	17,484,989	7,393,034	107,638,640
Ending balance	$ 25,892,398	$ 32,182,655	$ 25,672,754	$ 17,692,523	$ 7,435,695	$108,876,025

The Company monitors credit quality within its portfolio segments based on primary credit quality indicators. From a credit risk standpoint, the Company classifies its loans in one of the following categories: pass, special mention, substandard, doubtful or loss. Loans classified as other than pass pose an elevated risk and may have a high probability of default or total loss.

The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the rating on credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

Credits rated loss are those that are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Pass rated refers to loans that are not considered criticized. In addition to this primary credit quality indicator, the Company uses other credit quality indicators for certain types of loans.

The following table sets forth information regarding the internal classification of the loan portfolio:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2020						
Residential real estate	$ 26,144,241	$ 29,297	$ 515,799	$ -	$ -	$ 26,689,337
Agriculture	30,532,070	-	137,203	-	-	30,669,273
Real estate	18,947,942	-	3,181,723	-	-	22,129,665
Commercial	17,249,073	-	86,717	-	-	17,335,790
Consumer	6,760,902	27,474	190,471	2,681	-	6,981,528
	$ 99,634,228	$ 56,771	$ 4,111,913	$ 2,681	$ -	$103,805,593
December 31, 2019						
Residential real estate	$ 24,944,087	$ 47,610	$ 886,477	$ 14,224	$ -	$ 25,892,398
Agriculture	32,083,972	-	98,683	-	-	32,182,655
Real estate	24,818,819	-	853,935	-	-	25,672,754
Commercial	17,472,973	-	219,550	-	-	17,692,523
Consumer	7,298,780	-	136,915	-	-	7,435,695
	$106,618,631	$ 47,610	$ 2,195,560	$ 14,224	$ -	$108,876,025

The following table sets forth information regarding the delinquencies within the loan portfolio:

	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days Still Accruing
December 31, 2020						
Residential real estate	$ 695,661	$ 238,207	$ 933,868	$ 25,755,469	$ 26,689,337	$ -
Agriculture	6,447	-	6,447	30,662,826	30,669,273	-
Real estate	141,594	187,494	329,088	21,800,577	22,129,665	-
Commercial	30,285	2,664	32,949	17,302,841	17,335,790	2,664
Consumer	64,875	3,584	68,459	6,913,069	6,981,528	3,584
	$ 938,862	$ 431,949	$ 1,370,811	$102,434,782	$103,805,593	$ 6,248

December 31, 2019	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days Still Accruing
Residential real estate	$ 813,304	$ 549,789	$ 1,363,093	$ 24,529,305	$ 25,892,398	$ 29,713
Agriculture	62,508	-	62,508	32,120,147	32,182,655	-
Real estate	448,490	240,716	689,206	24,983,548	25,672,754	-
Commercial	400,748	-	400,748	17,291,775	17,692,523	-
Consumer	61,021	17,742	78,763	7,356,932	7,435,695	-
	$ 1,786,071	$ 808,247	$ 2,594,318	$106,281,707	$108,876,025	$ 29,713

The following table sets forth information regarding the nonaccrual status within the loan portfolio:

	2020	2019
Residential real estate	$ 335,734	$ 746,474
Agriculture	-	-
Real estate	329,087	240,716
Commercial	23,233	207,534
Consumer	186,969	42,661
	$ 875,023	$ 1,237,385

The following table sets forth information regarding impaired loans:

With a related allowance:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2020					
Residential real estate	$ 335,734	$ 374,139	$ -	$ 474,109	$ 66,775
Agriculture	-	-	-	-	-
Real estate	329,087	456,167	74,454	347,852	6,767
Commercial	25,898	126,611	18,448	326,737	4,658
Consumer	186,969	194,841	16,753	92,735	1,108
	$ 877,688	$ 1,151,758	$ 109,655	$ 1,241,433	$ 79,308
December 31, 2019					
Residential real estate	$ 746,474	$ 862,947	$ 14,224	$ 873,036	$ 5,104
Agriculture	-	-	-	-	-
Real estate	240,716	320,731	-	254,586	992
Commercial	207,534	300,261	9,431	202,720	4,673
Consumer	42,661	47,063	-	30,615	950
	$ 1,237,385	$ 1,531,002	$ 23,655	$ 1,360,957	$ 11,719

At December 31, 2020 and 2019, the Company had impaired loans of $685,302 and $966,330, respectively, without a related allowance. The Company has no commitments to loan additional funds to the borrowers of impaired or nonaccrual loans. Loans with carrying amounts of $242,185 and $464,851 were transferred to foreclosed assets in 2020 and 2019, respectively.

There were no loans modified as troubled debt restructurings during the year ended December 31, 2020. Loans modified as troubled debt restructurings within the year ended December 31, 2019 were insignificant to the Company. Loans that met certain requirements modified due to the economic effects of COVID-19 might not be categorized as TDRs. The Coronavirus Aid, Relief, and Economic Security Act provides banks the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs for a limited period of time to account for the effects of COVID-19.

The Company has no commitments to loan additional funds to borrowers whose loans have been modified. None of the loan modifications had a material impact on the calculation of the allowance for loan losses.

4. Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were $168,441 and $471,184 at December 31, 2020 and 2019, respectively.

5. Property and equipment

	2020	2019
Land	$ 874,550	$ 874,550
Buildings	6,447,093	6,440,092
Equipment	1,859,100	1,859,100
	9,180,743	9,173,742
Accumulated depreciation and amortization	(3,193,780)	(2,881,064)
	$ 5,986,963	$ 6,292,678

6. Foreclosed assets

	2020	2019
Residential real estate	$ -	$ 60,000
Commercial real estate	-	267,629
	$ -	$ 327,629

7. Time deposits

The aggregate amount of time deposits that meet or exceed FDIC limits of $250,000 or more was $10,987,839 and $9,228,656 at December 31, 2020 and 2019, respectively. Interest expense on time deposits totaled $630,078 for 2020 and $666,312 for 2019.

At December 31, 2020 scheduled maturities of time deposits are as follows:

2021	$ 30,969,856
2022	6,324,902
2023	222,890
2024	-
2025 and thereafter	10,115
	$ 37,527,763

8. Bank advances

At December 31, 2020 and 2019 the Bank had an unsecured line of credit, at an interest rate of 0.35% and 2.30%, respectively, with The Independent BankersBank in the amount of $5,000,000. There were no advances on this line of credit.

The Company has a secured line of credit with the FHLB in the amount of $41,424,042 and $44,446,568 at December 31, 2020 and 2019, respectively, which are secured by FHLB stock, deposit accounts with the FHLB, and a blanket lien on its outstanding loan portfolio. At December 31, 2020 and 2019 the Company had no advances under this agreement.

9. Dividend restrictions

Payments of dividends by the Bank are subject to the Office of the Comptroller of the Currency (OCC) regulations. The OCC must approve the declaration of any dividends generally in excess of the sum of profits for the year and retained net profits for the preceding two years. The Bank normally restricts dividends to a lesser amount.

10. Lease commitments

The Company leases various equipment under noncancelable operating lease agreements expiring at various times through June 2025. Rental expense for the operating leases for the years ended December 31, 2020 and 2019 was $81,820 and $74,756, respectively.

Approximate future minimum lease payments, excluding applicable sales taxes, are as follows:

2021	$ 83,616
2022	83,086
2023	78,656
2024	38,267
2025 and thereafter	594
	$ 284,219

11. Stock bonus plan

The Company has a stock bonus plan for the benefit of eligible employees of the Bank. The plan is intended to advance the interests of the Company and its shareholders by encouraging and enabling selected officers and employees of the Bank to acquire and retain a proprietary interest in the Company by ownership of its stock. The Company established a bonus share reserve of 500 shares of the common stock of the Company, to be used for the grants. The Board of Directors shall, at its sole discretion, determine the grants of the shares to employees who have met various eligibility requirements. The shares granted are held by the Company, in the recipient's name for three years, the restricted period. During the restricted period, the recipients have all rights of a shareholder, including the right to vote and to receive distributions. The plan provides for various restrictions and forfeiture upon termination of employment during the restricted period.

The grant is taxable as ordinary income to the recipient when the restricted period ends and becomes deductible by the Company when the recipient recognizes income. All reserved shares have been issued and there was no stock granted in 2020 or 2019.

12. Cash flow information

Supplemental cash flow information is as follows:

	2020	2019
Cash paid during the years for:		
Interest	$ 1,079,312	$ 1,389,390
Noncash investing and financing activities follow:		
Change in unrealized security values	$ 3,708,389	$ 4,606,484
Other assets acquired through foreclosure	242,185	464,851

13. Income taxes

The provision for income taxes consists of current tax expense of $0 for the years ended December 31, 2020 and 2019, respectively.

14. Regulatory matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. 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 the Bank's financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications under the prompt correction action guidelines are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes, as of December 31, 2020 and 2019 that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification which management believes would change the institution's category.

Beginning January 1, 2015, community banking organizations became subject to a new regulatory rule recently adopted by federal banking agencies (commonly referred to Basel III). The new rule establishes a new regulatory capital framework that incorporates revisions to the Basel capital framework, strengthens the definition of regulatory capital, increases risk-based capital requirements, and amends the methodologies for determining risk-weighted organizations. Basel III includes a multiyear transition period from January 1, 2015 through December 31, 2019.

Management believes that as of December 31, 2020, the Bank would meet all capital requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future. There are no conditions or events since the notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios and minimum amounts and ratios as calculated under regulatory accounting practices are presented in the table below.

	Actual		Minimum capital required - Basel III fully phased-in		Required to be considered well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2020			(dollars in thousands)			
Total Capital to Risk Weighted Assets	$ 32,846	25.25%	$ 13,657	10.5%	$ 13,066	10.0%
Common Equity Tier 1 Capital (CETI) to Risk Weighted Assets	31,218	24.00	9,105	7.0	8,454	6.5
Tier I Capital to Risk Weighted Assets	31,218	24.00	11,056	8.5	10,405	8.0
Tier I Capital to Average Total Assets	31,218	12.32	10,134	4.0	12,668	5.0

	Actual Amount	Actual Ratio	Minimum capital required - Basel III fully phased-in Amount	Minimum capital required - Basel III fully phased-in Ratio	Required to be considered well capitalized Amount	Required to be considered well capitalized Ratio
As of December 31, 2019			(dollars in thousands)			
Total Capital to Risk Weighted Assets	$ 31,477	24.07%	$ 13,730	10.5%	$ 13,076	10.0%
Common Equity Tier 1 Capital (CETI) to Risk Weighted Assets	29,842	22.82	9,154	7.0	8,500	6.5
Tier I Capital to Risk Weighted Assets	29,842	22.82	11,115	8.5	10,461	8.0
Tier I Capital to Average Total Assets	29,842	12.66	9,429	4.0	11,786	5.0

15. Financial instruments with off-balance sheet risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments on lines of credit and standby letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The Bank's exposure to credit loss is represented by the contractual amount of those instruments. The Bank was not required to perform on any financial guarantees and did not incur any losses on its commitments in 2020 or 2019.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income producing commercial properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy of obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Bank primarily serves customers located in Jack, Montague, and Wichita counties and the surrounding areas. As such, the Bank's loans, commitments and standby letters of credit have been granted to customers in that area. Concentration of credit by type of loan is presented in Note 3.

The total amount of financial instruments with off-balance-sheet risk as of December 31, 2020, is as follows:

	Contract Amount
Standby letters of credit	$ 1,628,089
Commitments on lines of credit	14,542,441

Standby letters of credit are generally issued at variable rates. Commitments on lines of credit are generally issued at fixed and variable rates. At December 31, 2020, commitments at fixed rates were $5,906,043 and variable rates were $8,636,398.

16. Fair value measurement

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs.

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is 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 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.

Level 3 inputs - Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the asset or liability.

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.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Company's valuation methodologies 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 estimate of fair value at the reporting date.

Securities available for sale - Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, credit information and the bond's term and conditions, among other things.

Loans held for sale - Loans held for sale are reported at the lower of cost or fair value. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company considers investor commitments/contracts. These loans are considered Level 2 of the fair value hierarchy.

Impaired loans - Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 or Level 3 inputs based on third party or internally developed appraisals.

Foreclosed assets - These assets are reported at estimated fair value, less estimated selling costs. Fair value is based on third party or internally developed appraisals considering the assumptions in the valuation and are considered Level 2 or Level 3 inputs.

Fair value of assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Securities available for sale:				
2020				
Mortgage-backed securities	$ 73,546,773	$ -	$ 73,546,773	$ -
Obligations of state an political subdivisions	72,446,909	-	72,446,909	-
Other	786,600	-	786,600	-
	$ 146,780,282	$ -	$ 146,780,282	$ -

	Fair Value	Level 1	Level 2	Level 3
2019				
Mortgage-backed securities	$ 53,358,182	$ -	$ 53,358,182	$ -
Obligations of state an political subdivisions	57,797,753	-	57,797,753	-
Other	737,800	-	737,800	-
	$ 111,893,735	$ -	$ 111,893,735	$ -

At December 31, 2020 and 2019 the Company had no financial liabilities measured at fair value on a recurring basis.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following represents the carrying value of financial assets and financial liabilities measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3
2020			
Loans held for sale	$ -	$ 1,959,859	$ -
Foreclosed assets	-	-	-
Impaired loans	-	-	768,034
2019			
Loans held for sale	$ -	$ 763,450	$ -
Foreclosed assets	-	327,629	-
Impaired loans	-	-	1,213,730

During the year ended December 31, 2020, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of $877,689 were reduced by specific valuation allowance allocations totaling $109,655 to a total reported fair value of $768,034 based on collateral valuations utilizing Level 3 valuation inputs.

During the year ended December 31, 2019, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of $1,237,385 were reduced by specific valuation allowance allocations totaling $23,655 to a total reported fair value of $1,213,730 based on collateral valuations utilizing Level 3 valuation inputs.

The following table represents the Bank's Level 3 financial assets and liabilities, the valuation techniques used to measure the fair value of those financial assets and liabilities, and the significant unobservable inputs and the ranges of values for those inputs:

	Fair Value at		Principal Valuation	Significant Unobservable	Range of Significant
	2020	2019	Technique	Inputs	Input Values
Impaired loans	$ 768,034	$ 1,213,730	Appraisal of collateral	Appraisal adjustments	10 - 30%

Resulting gains and/or losses on foreclosed assets are included under other income or other expenses, respectively.

Foreclosed real estate is valued at the time the loan is foreclosed upon and the asset is transferred to foreclosed assets. The value is based primarily on third party appraisals, less costs to sell. Appraisals based upon comparable sales result in Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from time of valuation, and/or management's expertise and knowledge of the client and client's business. Foreclosed real estate is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The Company did not change the methodology used to determine fair value for any financial instruments during the years ended December 31, 2020 or 2019. Accordingly, for any given class of financial instruments, the Company did not have any transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2020 or 2019.

17. Related-party transactions

The Bank paid director and committee fees of $250,675 and $227,675 in 2020 and 2019, respectively.

The Bank held deposits of approximately $9,951,183 and $9,300,949 for related parties at December 31, 2020 and 2019, respectively.

The aggregate amount of loans owed to the Bank by directors, officers, and employees amounted to approximately $1,315,337 and $1,504,963 at December 31, 2020 and 2019, respectively. During 2020, new loans to such related parties amounted to $1,215,106 and repayments and deletions amounted to $1,404,732. During 2019, new loans to such related parties amounted to $1,157,834 and repayments and deletions amounted to $1,323,261. In addition, there was approximately $87,000 of undisbursed loan commitments and $15,000 in standby letters of credit at December 31, 2020 to related parties. All of the transactions entered into between the Bank and these parties were made on substantially the same terms and conditions as those prevailing at the time for comparable transactions with other parties.

SUPPLEMENTARY INFORMATION

THE JACKSBORO NATIONAL BANK
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	$ 9,344,926	$ 7,485,601
Securities available for sale	146,780,282	111,893,735
Loans:		
Held for investment	101,845,734	108,112,575
Held for sale	1,959,859	763,450
	103,805,593	108,876,025
Less allowance for loan loss	(1,799,015)	(1,667,149)
Net loans	102,006,578	107,208,876
Property and equipment, net	5,986,963	6,292,678
Accrued interest receivable	1,710,905	1,618,835
Other assets	532,081	935,945
Total assets	$ 266,361,735	$ 235,435,670
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Demand deposits	$ 84,064,309	$ 66,149,791
Savings, NOW and money market deposits	107,104,273	93,534,475
Time deposits	37,527,763	43,188,061
Total deposits	228,696,345	202,872,327
Accrued interest payable	45,351	127,954
Other liabilities	99,909	-
Total liabilities	228,841,605	203,000,281
Shareholder's equity:		
Capital stock, $10.00 par value, 30,000 shares authorized, issued and outstanding	300,000	300,000
Paid-in capital	800,000	800,000
Retained earnings	30,439,236	29,062,884
Accumulated other comprehensive income	5,980,894	2,272,505
Total shareholder's equity	37,520,130	32,435,389
Total liabilities and shareholder's equity	$ 266,361,735	$ 235,435,670

THE JACKSBORO NATIONAL BANK
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Interest income:		
Interest and fees on loans	$ 6,414,664	$ 6,973,592
Interest on investment securities	2,656,871	2,699,026
Total interest income	9,071,535	9,672,618
Interest expense:		
Deposits	987,488	1,330,655
Other	9,221	81,666
Total interest expense	996,709	1,412,321
Net interest income	8,074,826	8,260,297
Provision for loan losses	(185,000)	(120,000)
Net interest income after provision for loan losses	7,889,826	8,140,297
Other income:		
Service charges on deposit accounts	486,532	562,885
Other service charges and fees	603,249	582,276
Net realized gain on securities	81,182	59,464
Gain on sale of property and equipment	-	32,903
Gain from sales of mortgage loans	1,424,874	853,947
Gain (loss) from sale of foreclosed assets	(20,548)	110,132
Other income	143,049	248,218
Total other income	2,718,338	2,449,825
Other expense:		
Salaries and employee benefits	4,872,577	4,636,148
Property and equipment expense	1,120,723	1,129,558
Advertising and promotion expense	141,870	190,770
Computer service expense	712,407	672,075
Legal and professional fees	97,229	73,377
Stationary and printing expense	126,610	111,835
Consulting	136,302	137,719
Director fees	250,675	227,675
FDIC insurance premiums	55,841	13,476
Foreclosed asset expense	(56,244)	124,800
Loan expense	126,088	124,137
Other expense	484,616	455,793
Total other expense	8,068,694	7,897,363
Net income	$ 2,539,470	$ 2,692,759

THE JACKSBORO NATIONAL BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net income	$ 2,539,470	$ 2,692,759
Other comprehensive income:		
Change in unrealized appreciation on securities available for sale	3,733,713	4,479,810
Adjustment for (gains) losses realized on securities available for sale and included in net income	(25,324)	126,674
Total other comprehensive income	3,708,389	4,606,484
Total comprehensive income	$ 6,247,859	$ 7,299,243

THE JACKSBORO NATIONAL BANK
STATEMENTS OF SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2018	$ 300,000	$ 800,000	$26,963,318	$ (2,333,979)	$25,729,339
Net income	-	-	2,692,759	-	2,692,759
Unrealized appreciation on securities available for sale	-	-	-	4,479,810	4,479,810
Reclassification adjustment for loss included in net income	-	-	-	126,674	126,674
Distributions to shareholder	-	-	(593,193)	-	(593,193)
Balance, December 31, 2019	300,000	800,000	29,062,884	2,272,505	32,435,389
Net income	-	-	2,539,470	-	2,539,470
Unrealized appreciation on securities available for sale	-	-	-	3,733,713	3,733,713
Reclassification adjustment for gain included in net income	-	-	-	(25,324)	(25,324)
Distributions to shareholder	-	-	(1,163,118)	-	(1,163,118)
Balance, December 31, 2020	$ 300,000	$ 800,000	$30,439,236	$ 5,980,894	$37,520,130

THE JACKSBORO NATIONAL BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

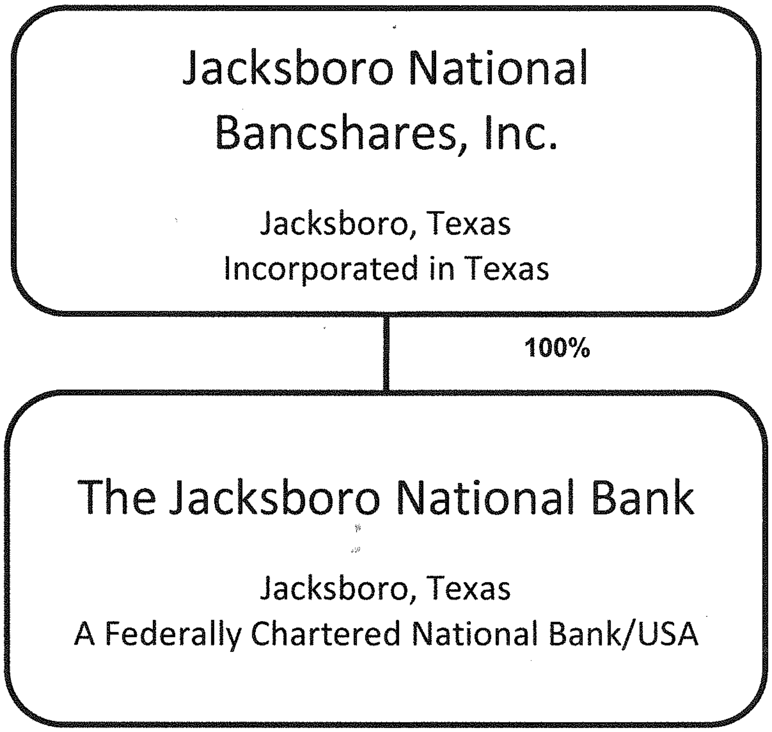
	2020	2019
Cash flows from operating activities:		
Net income	$ 2,539,470	$ 2,692,759
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	312,717	313,785
(Gain) loss on disposal of property and equipment	-	(32,903)
(Gain) loss on sale of repossessed assets	17,748	(110,132)
Provision for loan losses	185,000	120,000
Net realized (gain) loss on securities	(81,182)	(59,464)
Premium amortization net of discount accretion on securities	1,444,474	1,108,706
Gain from sales of mortgage loans	(1,424,874)	(853,947)
Proceeds from sales of mortgage loans	59,002,546	31,738,303
Originations of mortgage loans for sale	(57,577,672)	(30,884,356)
(Increase) decrease in accrued interest receivable	(92,070)	21,177
(Increase) decrease in other assets	68,235	138,035
Increase (decrease) in accrued interest payable	(82,603)	22,931
Increase (decrease) in other liabilities	99,909	(18,278)
Total adjustments	1,872,228	1,503,857
Net cash provided by operating activities	4,411,698	4,196,616
Cash flows from investing activities:		
Principal reduction on mortgage-backed securities	15,275,434	10,794,127
Proceeds from maturities of available-for-sale securities	2,865,000	16,655,000
Proceeds from sales of available-for-sale securities	12,104,991	9,755,081
Purchase of available-for-sale securities	(62,786,875)	(35,066,706)
Net decrease in loans	4,775,113	2,535,445
Purchase of property and equipment	(7,002)	(175,385)
Proceeds from sales of property and equipment	-	42,000
Proceeds from sales of repossessed assets	560,066	3,037,805
Net cash provided (used) by investing activities	(27,213,273)	7,577,367
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	17,914,518	(9,576,349)
Net increase (decrease) in savings, NOW and money market deposits	13,569,798	(11,246,142)
Net increase (decrease) in time deposits	(5,660,298)	9,245,508
Distributions	(1,163,118)	(593,193)
Net cash provided (used) by financing activities	24,660,900	(12,170,176)
Net increase (decrease) in cash and due from banks	1,859,325	(396,193)
Cash and due from banks, beginning of year	7,485,601	7,881,794
Cash and due from banks, end of year	$ 9,344,926	$ 7,485,601

THE JACKSBORO NATIONAL BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Supplemental disclosures of cash flow information:		
Cash paid during the years for:		
Interest	$ 1,079,312	$ 1,389,390
Supplemental schedule of noncash investing and financing activities:		
Change in unrealized security values	$ 3,708,389	$ 4,606,484
Other assets acquired through foreclosure	242,185	464,851

Jacksboro National Bancshares, Inc.
Jacksboro, Texas
December 31, 2020

Form FR Y-6
Report Item 2a. - Organizational Chart



Note: Legal entity identifiers are not applicable for any of these organizations.

Results: A list of branches for your holding company: JACKSBORO NATIONAL BANCSHARES, INC. (1104503) of JACKSBORO, TX.
The data are as of 12/31/2020. Data reflects information that was received and processed through 01/05/2021.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	924058	JACKSBORO NATIONAL BANK, THE	910 NORTH MAIN STREET	JACKSBORO	TX	76458	JACK	UNITED STATES	Not Required	Not Required	JACKSBORO NATIONAL BANK, THE	924058	
OK		Full Service	2665784	BOWIE BRANCH	213 WEST WISE STREET	BOWIE	TX	76230	MONTAGUE	UNITED STATES	Not Required	Not Required	JACKSBORO NATIONAL BANK, THE	924058	
OK		Limited Service	5121021	MORTGAGE DIVISION BRANCH	4245 KEMP BLVD, SUITE 200	WICHITA FALLS	TX	76308	WICHITA	UNITED STATES	Not Required	Not Required	JACKSBORO NATIONAL BANK, THE	924058	

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Report Item 3: Security Holders

Current shareholders with ownership, control, or holdings of 5% or more with power to vote as of December 31, 2020.					Shareholders not listed on 1.a., 1.b., or 1.c. that had ownership, control, or holdings of 5% or more with power to vote during the fiscal year ending December 31, 2020.		
1.a. Name & Address (City and State/Country	1.b. Country of Citizenship or Incorporation	1.c. Number and Percentage of each class of voting securities: Owned	Controlled	Power to Vote	2.a. Name & Address (City and State/Country	2.b. Country of Citizenship or Incorporation	2.c. Number and Percentage of Each Class of Voting Voting Securities
Jerry Craft*		1,003 shs - 7.27%	1,003 shs - 7.27%				
Jacksboro, Texas	USA						
Clint Creighton Craft Trust, Clint Craft, Trustee		500 shs - 3.63%	500 shs - 3.63%				
Jacksboro, Texas	USA						
Jay David Craft Trust, Jay Craft, Trustee		232 shs - 1.68%	232 shs - 1.68%				
Christiansted, VI	USA						
Sue Craft McMahan		9 shs - .07%	9 shs - .07%				
Austin, Texas	USA						
Sue Craft McMahan Trust, Sue McMahan, Trustee		500 shs - 3.63%	500 shs - 3.63%				
Austin, Texas	USA						
		2,244 shs - 16.27%	2,244 shs - 16.27%	None			
Willis G. Stamper, Jr.**		1,513 shs - 10.97%	1,513 shs - 10.97%				
Jacksboro, Texas	USA						
Stephen Stamper		1,500 shs - 10.88%	1,500 shs - 10.88%				
Jacksboro, Texas	USA						
Jennifer Stamper Stayton		561 shs - 4.07%	561 shs - 4.07%				
Richardson, Texas	USA						
		3,574 shs - 25.91%	3,574 shs - 25.91%	None			
Edwin W. Rumage***		1,523 shs - 11.04%	1,523 shs - 11.04%	11,426 shs - 82.85%			
Jacksboro, Texas	USA						
Karen Rumage		270 shs - 1.96%	270 shs - 1.96%				

Jacksboro, Texas	USA			
C. Blain Rumage		248 shs - 1.80%	248 shs - 1.80%	
Jacksboro, Texas	USA			
Will Rumage		247 shs - 1.79%	247 shs - 1.79%	
Jacksboro, Texas	USA			
Davis Revocable Trust, Dana Ritter, Trustee		114 shs - .83%	114 shs - .83%	
La Vernia, Texas	USA			
		2,402 shs - 17.42%	2,402 shs - 17.42%	11,426 shs - 82.85%
Malinda R. Crumley	USA	750 shs - 5.44%	750 shs - 5.44%	
Fort Worth, Texas				
Kay R. Murphey	USA	758 shs - 5.50%	758 shs - 5.50%	
Fort Worth, Texas				
(Sisters)		1,508 shs - 10.93%	1,508 shs - 10.93%	None
Stella J. Matthews****	USA	508 shs - 3.68%	508 shs - 3.68%	
Medford, Oregon				
Clement C. McClure, III	USA	354 shs - 2.57%	354 shs - 2.57%	354 shs - 2.57%
Gladstone, New Mexico				
Clay R. McClure	USA	100 shs - .73%	100 shs - .73%	100 shs - .73%
Gladstone, New Mexico				
Matthew C. McClure	USA	100 shs - .73%	100 shs - .73%	100 shs - .73%
Gladstone, New Mexico				
		1,062 shs - 7.70%	1,062 shs - 7.70%	554 shs - 4.02%
Carol Henderson*****	USA	601 shs - 4.36%	601 shs - 4.36%	601 shs - 4.36%
Jacksboro, Texas				
Donna Henderson Craft	USA	141 shs - 1.02%	141 shs - 1.02%	141 shs - 1.02%
Fort Worth, TX				
		742 shs - 5.38%	742 shs - 5.38%	742 shs - 5.38%

* - Clint, Jay, and Sue are the children of Jerry Craft.
** - Willis and Stephen Stamper are brothers. Jennifer Stayton is Willis' daughter.
*** - Edwin and Karen Rumage are married. Christopher and Will are their sons. The beneficiary of the Davis Revocable Trust is Edwin's sister, Ellisene Davis.
**** - Stella J. Matthews and Clement C. McClure, III are siblings. Clay R. McClure and Matthew C. McClure are sons of Clement C. McClure, III.
***** - Donna Henderson Craft is Carol Henderson's daughter.

Note - Percent totals above could be off by .01% due to rounding differences.

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Report Item 4: Insiders

1. - Name & Address (City, State/Country)
2. - Principal Occupation if other than with Bank Holding Company
3.a. - Title & Position with Bank Holding Company
3.b. - Title & Position with Subsidiaries (include names of subsidiaries)
3.c. - Title & Position with Other Businesses (include names of other businesses)
4.a. - Percentage of Voting Shares in Bank Holding Company
4.b. - Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)
4.c. - List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)

					4.a.				
1.	2.	3.a.	3.b.	3.c.	Owned	Controlled	Power to Vote	4.b.	4.c.
Jerry Craft Jacksboro, Texas	Ranching and Oil & Gas Production	Director & Chairman Principal security holder	Jacksboro National Bank - Director & Chairman	Owner - Craft Ranches Partner - Craft Ranch, LLP Partner - Flying V, L.P.	7.27%	7.27%	0.00%	0.00%	Craft Ranches - 100% Craft Ranch, LLP - 25% Flying V, L.P. - 33 1/3%
Family relationships of Jerry Craft:									
Clint Creighton Craft Trust - Son Jacksboro, Texas	Bail Bonds	Principal security holder	N/A	Owner - Blackjack Bail Bonds Partner - Craft Ranches Partner - Flying V, L.P.	3.63%	3.63%	0.00%	0.00%	Blackjack Bail Bonds - 100% Craft Ranch, LLP - 25%
Jay David Craft Trust - Son Christiansted, Virgin Islands	Analyst	Principal security holder	N/A	Partner - Craft Ranches Partner - Flying V, L.P.	1.68%	1.68%	0.00%	0.00%	Craft Ranch, LLP - 25% Flying V, L.P. - 30%
Sue Craft McMahan - Daughter Austin, TX	Ranching/Homemaker	Principal security holder	N/A	Sole Managing Partner - R&S^2 Trading, LLC Trustee - Jeremy Parmer McMahan Trust Trustee - Helen Mabrie McMahan Trust Partner - Craft Ranches Partner - Flying V, L.P.	3.70%	3.70%	0.00%	0.00%	R&S^2 Trading, LLC - 100% Craft Ranch, LLP - 25%
				Jerry Craft Family Totals:	16.27%	16.27%	0.00%		
Willis G. Stamper, Jr. Jacksboro, Texas	Oil & Gas Production and Investments	Director & Vice Chairman Principal security holder	Jacksboro National Bank - Director & Vice Chairman	President - WGS Properties, Inc. President & Director - B & B Holdings, Inc. President - Stamper Brothers, LLC	10.97%	10.97%	0.00%	0.00%	WGS Properties, Inc. - 100% B & B Holdings - 33.25% Stamper Brothers, LLC - 33 1/3%
Family relationships of Willis G. Stamper, Jr.									
Jennifer Stamper Stayton - Daughter Richardson, TX	Teacher	Principal security holder	N/A	None	4.07%	4.07%	0.00%	0.00%	None
Stephen F Stamper - Brother Wichita Falls, TX	Oil & Gas Production	Principal security holder	N/A	President & Owner - Stamper Operating Managing Partner & Owner - Stamper Holdings, LLC President & Owner - Blocked L Properties, LLC Managing Partner & Owner - SFS Mineral Properties, LLC Secretary/Treasurer - Stamper Brothers, LLC Secretary/Treasurer - B & B Holdings	10.88%	10.88%	0.00%	0.00%	Stamper Operating - 100% Stamper Holdings, LLC - 100% Blocked L Properties, LLC - 50% SFS Mineral Properties, LLC - 100% Stamper Brothers, LLC - 33 1/3% B & B Holdings - 50%
				Willis G. Stamper, Jr. Family Totals:	25.91%	25.91%	0.00%		

Margaret Sue Cherryhomes Jacksboro, Texas	Homemaker	Director & Secretary	Jacksboro National Bank - Director & Secretary	Trustee - Maxine Cherryhomes Trust Managing Partner - TMC General, LLC Executrix - Thomas Michael Cherryhomes Estate	2.36%	2.36%	0.00%	0.00%	None
Jerry Graybill Jacksboro, Texas	Fuel Distributor	Director	Jacksboro National Bank - Director	Partner - Grable Oil Co., L.P.	0.32%	0.32%	0.00%	0.00%	None
Edwin W. Rumage Jacksboro, Texas	Banker	Director, President/CEO, Principal security holder	Jacksboro National Bank - Director and CEO	None	11.04%	11.04%	82.85%	0.00%	None
<u>Family relationships of Edwin Rumage:</u>									
Karen Buckley Rumage - Wife Jacksboro, TX	Homemaker	Principal security holder	N/A	None	1.96%	1.96%	0.00%	0.00%	None
C. Blain Rumage - Son Jacksboro, TX	Banker	Director & principal security holder	Jacksboro National Bank - SVP/Loan Officer	Partner - North Creek Ranch, LTD Partner - North Creek Ranch Genpar, LLC	1.80%	1.80%	0.00%	0.00%	North Creek Ranch, LTD - 49.5% North Creek Ranch Genpar, LLC - 100%
Will Rumage - Son Celina, TX	Construction	Principal security holder	N/A	Partner - North Creek Ranch, LTD	1.79%	1.79%	0.00%	0.00%	North Creek Ranch, LTD - 49.5%
Davis Revocable Trust, Dana Ritter, Trustee - Niece San Antonio, TX	Retired Teacher	Principal security holder	N/A	None	0.83%	0.83%	0.00%	0.00%	None
				Edwin W. Rumage Family Totals:	17.42%	17.42%	82.85%		
Bryan Bumpas Jacksboro, Texas	Banker	Director	Jacksboro National Bank - Director and President	N/A	1.16%	1.16%	0.00%	0.00%	None
Craig Anderle Windthorst, Texas	Banker	Chief Financial Officer	Jacksboro National Bank - CFO/EVP	N/A	0.73%	0.73%	0.00%	0.00%	None
Malinda Crumley Fort Worth, TX	Realtor	Principal Security Holder	None	Partner - Crumley/Murphey Family Partnership, LLP	5.44%	5.44%	0.00%	0.00%	Crumley/Murphey Family Partnership, LLP - 50%
Kay Murphey Fort Worth, TX	Retired Party Planner	Principal Security Holder	None	Partner - Crumley/Murphey Family Partnership, LLP	5.50%	5.50%	0.00%	0.00%	Crumley/Murphey Family Partnership, LLP - 50%
Note: Ms. Crumley and Ms. Murphey are sisters.					10.93%	10.93%	0.00%		

Note - Percent totals above could be off by .01% due to rounding differences.