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, R Sidney Cauthorn
Name of the Holding Company Director and Official

President & 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

08/18/2021
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

Westex Bancorp, Inc.
Legal Title of Holding Company

P O Box 4010
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Del Rio	TX	78841-4010

1200 Veterans Blvd, Del Rio, TX 78840
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Blanca Perez	None

830-768-4039
Area Code / Phone Number / Extension

830-768-4023
Area Code / FAX Number

bperez@thebankandtrust.bank
E-mail Address

N/A
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."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

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City State Zip Code

Physical Location (if different from mailing address)

WESTEX BANCORP, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

FHK | Experience. That counts!

CERTIFIED PUBLIC ACCOUNTANTS

WESTEX BANCORP, INC.

P.O. Drawer 4010, Del Rio, Texas 78841   830-774-2555

To the Shareholders of Westex Bancorp, Inc.:

Westex's total gain in net worth during 2020 was $20,508,000. Including shareholder distributions that were over and above the paid-out tax liability of the Company, the total return on book value for the year was 34.2%. By contrast, the S&P 500 increased 18.4% for the year (including dividends). Over the last twenty-four years Westex's cumulative per-share book value plus ordinary distributions has grown from $68.86 to $641.22 for a 9.7% annualized return. The same $68.86 invested in the S&P 500 for the past 24 years has returned $553.33 (including dividends) or 9.1%.

Westex earned $24,973,000 before S-Corp tax distributions in 2020 according to generally accepted accounting principles (commonly called GAAP). The components of that figure are $8,323,000 of operating earnings and $16,650,000 from an increase in the net *unrealized* capital gains in the publicly traded equities that we hold.

The $16,650,000 requires some explanation as it resulted from a GAAP rule, implemented in 2018, that requires us to record unrealized changes in market value of our publicly traded equity securities as part of the operational earnings stream of the company. I don't agree with the rule as it obscures the true ongoing operational performance of a company. My preference, and I believe the preference of our typical shareholder, is to quantify our operational performance and our investment performance separately. More specifically, I believe it is important for you to know how we're performing operationally and how we're performing as investors. This will help you to understand where we're doing well and where we're falling short. Below is summary financial information as I would want to see it if our positions were reversed.

Income Statement Years ended December 31,	2020	2019
Interest Income	16,339,576	16,935,803
Interest Expense	1,366,574	1,474,619
Net Interest Income	14,973,002	15,461,184
Provision for Loan Losses	1,481,617	170,000
Net Interest Income after Provision for Loan Losses	13,491,385	15,291,184
Non-Interest Income	29,456,680	27,666,741
Non-Interest Expense	34,588,916	35,314,110
Income Taxes	36,090	18,089
Net Operating Income	**8,323,059**	**7,625,726**
Change in Value of Marketable Bonds	1,982,132	3,386,276
Change in Value of Marketable Equity Securities	**16,650,089**	**652,667**
Other Non-Operational Changes	-	-
Comprehensive Income	26,955,280	11,664,669

As you can see from this table, Westex earned $8,323,000 for 2020 on an operating basis compared to $7,626,000 in 2019. Our investments in Anco Insurance Managers, The Bank & Trust of Bryan/College Station, First State Bank of Uvalde, Carnrite Venture Fund, and all of the publicly traded equities that we own has been made possible because of this operational profitability.

This isn't to say that you shouldn't care about how our publicly traded equity portfolio is performing. Quite the contrary. Our portfolio has grown from $234,000 in 2008 to $25,157,000 today including our investment in First Financial Bank (FFIN). These holdings are sizeable and growing, and as a group, will get bigger, generate more income, and deliver long term value over time.

We expect Westex's financial performance to compare favorably to the S&P 500 Index over the long haul. We'll outperform the index (sometimes by a lot) in years when the market is down or grows moderately and we will underperform (sometimes by a lot) when the market has great years. Over long periods of time, however, we expect to do well compared to the index because we generate a consistent level of core earnings.

Westex's Goals & Major Components of the Company

As I write this letter every year I try to communicate to you the things that I would want to know if our positions were reversed. I also summarize my thoughts about the value of the different components of our company and to inform you about the economic and political events that I believe affect our prospects for the future.

Westex's primary economic goals are as follows:

1. Protect the Golden Goose: As Dad has said on many occasions through the years, "The Bank & Trust, Anco and Westex Investment Services are the Golden Goose" and we work full-time to protect and grow them.
2. Build Cash: Cash held at the holding company has grown from $673,000 in 2008 to $9,911,000 in 2020. Since 2008 we've worked to build Westex's cash level to ensure that, in the event of a substantial bank-level capital concern or a significant holding company investment opportunity, we would have the means to protect our company or invest in our future.

With the sale of The Bank & Trust of Bryan/College Station to FFIN, Westex now consists of three business segments including:

1. Wholly owned operating companies (The Bank & Trust and Anco Insurance Managers, Inc.),
2. Direct equity investments, and
3. Other Investments where we've committed relatively small dollar amounts and are passive investors.

Each segment is summarized in more detail through the remainder of this report.

Westex's Wholly Owned Operating Subsidiaries

The Bank & Trust, ssb

The Bank & Trust had a pretty good year considering all of the economic uncertainty in 2020 with pre-tax earnings of $4,879,000 versus $5,942,000 in 2019. The level of earnings is down due to much higher provisions to the loan loss reserve and a lower net interest margin. Non-Interest Income grew and Operating Expenses were lower for the year.

We made the decision during the year to increase the Allowance for Loan Losses by $1,482,000. While loan quality continues to be outstanding we felt it prudent to make a sizeable reserve allocation given the economic and political uncertainty driven by the Covid19 situation. Despite all of the Corona craziness, our clients seem to be weathering the storm well. Government stimulus in the form of loans made under the Paycheck Protection Program (PPP) and enhanced unemployment benefits has helped consumers significantly.

The net interest margin dropped during the year by $485,000 driven by declining yields in the Bank's bond and loan portfolio resulting from a world-wide drop in interest rates. The Bank's cost of funds was down only slightly and wasn't enough to offset lower asset yields. Deposit balances grew significantly through the year. However, we had to pay interest on those new deposits immediately but have been slow to deploy those funds into interest earning assets due to concern about low reinvestment yields and the uncertainty about their dependability as a source of funding. We've seen loan demand pick up significantly in the early months of 2021 and are hopeful that we can put a large portion of our excess liquidity to work.

Non-Interest Income increased by $170,000 driven by growth in Westex Investment Services revenues. Our investment advisors have overcome the commission rate changes that Raymond James implemented in previous years and are doing a great job of continuing to grow our investment advisory business. Our Assets Under Management at the end of 2008 was $375,309,000. Assets Under Management ended 2020 at $1,378,270,000 (yes, that's nearly $1.4 billion) compared to the prior year level of $1,201,743,000 representing a 14.7% increase. The annualized twelve year growth rate for Assets Under Management is 11.5%.

Operating Expenses declined by $569,000 through lower payroll benefits, advertising and donation expenses and debit card losses. Payroll was down due to a concerted effort to be more efficient with our personnel and lower benefits expense. Covid19 restrictions caused lower advertising, travel and donation expenses for the year. Debit card losses were much lower due to the Bank's adoption of EMV chip technology.

I want to commend our banking staff for their efforts in assisting our clients with their Paycheck Protection Program (PPP) needs. There was so much economic uncertainty at the beginning of Covid19 that many banks were either slow to adopt PPP or made the decision to not participate. We were an early adopter of PPP because we believed, early on, that it would be good for our clients and, therefore, good for the bank. We originated $19,718,000 in PPP loans in 2020 resulting in $898,000 in origination fees which helped an untold number of clients remain solvent and operating during a very stressful time. Only $258,000 in PPP origination fees was reported in income for 2020.

As a final note, we are optimistic that we've made significant progress toward being released from the Bank Secrecy Act (BSA) order. We have met all of the Federal Reserve and the State time lines and hope to be released at the next examination.

Anco Insurance Managers, Inc.

Anco had a great 2020 with pre-tax earnings of $3,706,000 versus $2,360,000 in 2019. Commission income increases, increased Company Profit Sharing revenue, and lower selling expenses account for the improvement.

Total Commission income increased $1,998,000 in 2020 as Life & Health commissions increased $1,882,000. Last year I commented that we were confident that, when our staff is "right-sized", the Life & Health group would make a significant contribution to profitability. 2020 was the year we began seeing the benefits for which we've planned. As the Life & Health group grows we will need to continue to invest in its future and we are very excited about what's to come. Commercial Lines increased $221,000 as our commercial agents brought in new business insurance and rates were in our favor. Personal Lines commissions decreased $104,000 driven by less wholesale business. Anco serves as a middle-man for small agencies throughout the state. Occasionally, these small agencies get big enough to become a direct writer for insurance companies. When they do, we lose that business but typically pick up a few new smaller agencies.

Company Profit Sharing was $941,000 in 2020 which was up $53,000 from 2019. Anco's receipts in this category continue to be very good. We expect Profit Sharing to drop some in 2021 as hail storms around the state during 2020 created a historically high loss ratio. Also, the winter blast we've recently experienced will likely have a significantly negative impact on Company Profit Sharing for 2022. Plumbers will do well...but we expect insurance claims to be substantial.

Travel and Entertainment expenses were down $110,000 for the year resulting from less activity due to Covid19. We expect that this number will normalize during 2021 as the national and state economy opens back up and our agents revert to travel as part of their business development efforts.

Direct Equity Investments

The Bank & Trust of Bryan/College Station / First Financial Bank

Our investment in The Bank & Trust of Bryan/College Station (TB&T) was Westex's most significant investment in a company we didn't control. In 2009 we invested $2,000,000 in TB&T and added an additional $303,000 investment in 2010. On May 28, 2019 TB&T entered into a Letter of Intent to merge with First Financial Bank (FFIN), Abilene, Texas. The transaction was closed on January 1, 2020 and our shares in TB&T converted into shares of FFIN.

We have retained virtually all of the shares we received as a result of the TB&T/FFIN merger. It is our assessment that FFIN is an exceptionally well-managed company with a great credit underwriting team. The bank has an exceptional efficiency ratio for a "biggish" bank, a history of outstanding profitability, a strong but conservative growth rate and great growth prospects for the future. Your Board of Directors monitors FFIN's financial condition and insider share transactions regularly. The market value of the shares we own as of December 31, 2020 is $17,859,000.

The vast majority of the increase in Westex's net worth this year is due to our being able to now mark our investment in FFIN to market. Of course, as a result of this, our net worth will fluctuate in the future based on changes in value of FFIN and the rest of our equity portfolio. Over time, however, we expect FFIN to continue to grow and prosper to our benefit.

The First State Bank of Uvalde (FSB)

Our investment in the First State Bank of Uvalde is $191,000. FSB has a long history of strong financial performance and earnings and we expect this success to continue into the future. You won't see this investment appreciate on Westex's books (since it is not a publicly traded equity) but it has been worth more every year that we've owned it and is valued, by my estimation, in excess of $472,000 as of December 31. This increase in value is not reflected in Westex's total return numbers nor do we recognize our pro rata share of their earnings on our books.

The Rest of our Equity Investment Portfolio

We invested $2,438,000 during the year in publicly traded equities as Covid19 drove stock prices down in early 2020. We put this new money to work in companies we already held in our portfolio including Berkshire Hathaway, Aflac, and Cullen Frost. We also made new investments in American Express, Lululemon Athletica, Waters Corp., Exxon Mobile, an energy-related exchange traded fund, and two technology-based exchange traded funds.

Below are the equity investments that we held as of December 31, 2020:

Shares	Company	Cost	Market
493,670	First Financial Bank	$2,250,569	$17,858,512
13,635	Berkshire Hathaway (B Shares)	1,789,162	3,161,547
6,690	Cullen Frost Bankers	447,543	583,569
1,685	Deere & Company	147,934	453,349
1,189	Lululemon Athletica, Inc.	247,917	413,808
9,173	Aflac, Inc	348,544	407,923
6,000	Fastenal	126,866	292,980
2,515	Fidelity MSCI Technology ETF	174,594	262,843
741	Vanguard Information Technology ETF	172,919	262,158
5,435	Exxon Mobil	253,050	224,031
1,420	Walmart	92,388	204,693
1,500	Tiffany	96,177	197,175
780	Waters Corp.	150,010	192,988
1,431	American Express Company	150,937	173,022
1,350	Ralph Lauren	131,101	140,049
3,290	Energy Select Sector SPDR	99,039	124,691
800	Hershey	67,237	121,864
1,500	The Coca Cola Company	58,841	82,260
701	First State Bank, Uvalde (Not publicly traded)	191,250	472,334
	Totals	**$6,996,078**	**$25,629,796**
	Cash Available for Investment		$8,478,049

Accounting rules only allow us to report in earnings the dividends we receive from companies that we do not control. These rules ignore the value of earnings that a company retains and reinvests for our benefit. Assuming we held these investments for all of 2020, your share of undistributed earnings of these investees during the year was $798,908. In 2019 this figure was $805,157 and in 2018 was $889,361. The details for this year are summarized below:

Shares	Company	($) Retained Earnings per Share (Diluted)	Total Retained Earnings
493,670	First Financial Bank	0.91	449,240
13,635	Berkshire Hathaway (B Shares)	17.78	242,430
6,690	Cullen Frost Bankers	2.25	15,053
1,685	Deere & Company	5.65	9,520
1,189	Lululemon Athletica, Inc.	4.93	5,862
9,173	Aflac, Inc	5.55	50,910
6,000	Fastenal	0.09	540
5,435	Exxon Mobil	(5.57)	(30,273)
1,420	Walmart	3.07	4,359
1,500	Tiffany	2.30	3,450
780	Waters Corp.	836	6,521
1,431	American Express Company	2.05	2,934
1,350	Ralph Lauren	4.98	6,723
800	Hershey	2.96	2,365
1,500	The Coca Cola Company	0.15	225
701	First State Bank, Uvalde (Not publicly traded)	41.44	29,049
	Total Retained Earnings		* 798,908

* This figure is not included in the growth in book value presented at the beginning of this report

These retained earnings are very important to us. Essentially, every dollar retained is reinvested at the company's average return on equity. As an example, a company that averages 15% return on equity will earn that return on every dollar retained. And this return compounds every year as long as the company continues to earn 15% return on equity. Market returns can, however, be very bumpy so you won't necessarily see stock prices reflect the value of retained earnings in a straight line. We believe that the market will recognize the value of these retained earnings over time but there will be bumps along the way due to market volatility.

Other Investments

We are always seeking new opportunities to invest your capital wisely and, through the years, we've been able to invest substantial amounts in some great closely held companies. Below is an introduction to a venture capital fund where we are a very minority partner:

Carnrite Ventures Fund I, L.P. (Carnrite)

Carnrite is a venture capital group, based in Austin, Texas focused primarily on healthcare technology. Alan Carnrite, who leads the partnership, has many years of experience with venture capital deals, and has had significant success. In 2020 we committed to invest $100,000 in Carnrite and funded $35,000 during the year for investments. Carnrite raised approximately $4,700,000 through January 31, 2021 and has closed the fund to new investors. There is not much to report at this point but we will keep you informed as our investment matures.

The Sales Pitch

Most of you are already clients of The Bank & Trust, Westex Investment Services and Anco Insurance and many of you already do 100% of your banking, investing and insuring with us. We appreciate your business and we'd love the opportunity to serve other family members, friends and neighbors. We are always available to serve you through our 1-800 number, cell phones, internet banking, mobile banking and remote deposit capture. We are competitive on price and first in quality service. There's no better time than now to bank with your bank, invest with your investment company, and insure with your insurance agency. Please call us at 800-833-5746 to arrange a meeting with one of our financial professionals.

In Closing

Our asset quality is very good and the earnings of both The Bank & Trust and Anco are sound. We have great people who understand who we are and are committed and dedicated to our business principles. While we're happy with where we are, however I want to assure you that we're taking steps to get even better. We appreciate your continued support.

Sid Cauthorn
President

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CERTIFIED PUBLIC ACCOUNTANTS

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San Antonio, TX 78229
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210.614.2284
210.614.2285 fax

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Westex Bancorp, Inc. and Subsidiaries
Del Rio, Texas

We have audited the accompanying consolidated financial statements of Westex Bancorp, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 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 consolidated financial position of Westex Bancorp, Inc. and Subsidiaries 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 U.S. generally accepted accounting principles.

Report of Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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, 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fisher, Herbst + Kemble, P.C.

San Antonio, Texas
March 15, 2021

WESTEX BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,	2020	2019
ASSETS		
Cash and due from banks	$ 22,955,688	$ 13,744,806
Interest bearing deposits in other banks	100,165,681	12,511,733
Total cash and cash equivalents	123,121,369	26,256,539
Securities available-for-sale, at estimated market value	69,922,439	82,799,115
Marketable equity securities, at estimated market value	25,157,462	4,517,239
Loans, net of allowance for loan losses	289,175,078	286,877,237
Accounts receivable, net of allowance for doubtful accounts	3,808,530	4,231,787
Accrued interest receivable	1,810,398	1,851,344
Other real estate owned	376,000	399,245
Investment in the Bank & Trust - Bryan/College Station	-	2,302,709
Premises and equipment, net	11,618,146	12,436,832
Restricted stock	3,396,700	3,365,000
Cash surrender value of life insurance	9,343,411	9,103,031
Goodwill	5,949,044	5,949,044
Other assets	1,389,791	1,367,377
Total assets	$ 545,068,368	$ 441,456,499
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 147,875,652	$ 131,056,882
Interest bearing	280,705,108	220,312,469
Total deposits	428,580,760	351,369,351
Accounts payable and accrued liabilities	5,428,818	6,112,818
Accrued interest payable	195,813	242,973
Dividends payable	695,560	1,031,544
Capital lease obligations	349,329	598,440
Paycheck Protection Program Loan	1,827,200	-
Borrowings, net of loan fees	1,134,961	1,235,265
Advances from Federal Home Loan Bank	15,000,000	12,000,000
Other liabilities	2,932,867	2,432,782
Total liabilities	456,145,308	375,023,173
Stockholders' Equity		
Common stock - $.50 par value; 500,000 shares authorized; **161,580** outstanding shares in 2020 and 2019	80,790	80,790
Subscription receivable	(15,868)	(23,801)
Treasury stock **3,275** shares in 2020 and 2,632 shares in 2019	(1,550,394)	(1,148,417)
Retained earnings	87,498,006	66,596,360
Accumulated other comprehensive income	2,910,526	928,394
Total stockholders' equity	88,923,060	66,433,326
Total liabilities and stockholders' equity	$ 545,068,368	$ 441,456,499

See notes to the consolidated financial statements.

WESTEX BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	2020	2019
INTEREST INCOME		
Loans, including fees	**$ 14,508,011**	$ 14,426,717
Investment securities:		
Taxable	**656,496**	1,005,550
Non-taxable	**1,053,821**	1,172,836
Interest on deposits in banks	**105,525**	306,737
Other interest income	**15,723**	23,963
Total interest income	**16,339,576**	16,935,803
INTEREST EXPENSE		
Deposits	**1,033,148**	1,149,720
Borrowings	**333,426**	324,899
Total interest expense	**1,366,574**	1,474,619
NET INTEREST INCOME	**14,973,002**	15,461,184
PROVISION FOR LOAN LOSSES	**1,481,617**	170,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**13,491,385**	15,291,184
NON-INTEREST INCOME		
Insurance commissions and fees	**23,019,870**	21,840,103
ATM and debit card fees	**1,258,045**	1,210,100
Earnings on cash surrender value life insurance	**240,373**	237,452
Service charges and fees	**1,053,571**	1,156,428
Gain on sale of other real estate owned	**6,140**	-
Gain on retirement of capital leases	**4,402**	-
Unrealized gain on marketable equity securities	**16,650,089**	652,667
Westex investment service revenues	**3,238,201**	3,006,567
Dividend income	**517,827**	203,402
Other operating income	**118,251**	12,689
Total non-interest income	**46,106,769**	28,319,408
NON-INTEREST EXPENSE		
Loss on sale of marketable equity securities	**1,351**	-
Loss and writedowns on sale of other real estate owned	**-**	77,000
Loss on sale or disposal of fixed assets	**-**	55,118
Salaries and employee benefits	**22,805,590**	21,976,305
Commissions paid to others	**2,287,362**	3,211,561
ATM and debit card expenses	**443,666**	419,586
Occupancy and equipment	**3,171,652**	3,211,730
Legal and professional fees	**518,517**	773,007
Director fees	**395,500**	402,000
Mail, printing and office supplies	**515,579**	567,333
Marketing and advertising	**833,950**	1,031,120
Regulatory assessments	**43,104**	91,140
Information technology and telephone	**1,409,785**	1,157,219
Other operating expenses	**2,162,860**	2,340,991
Total non-interest expense	**34,588,916**	35,314,110
INCOME BEFORE INCOME TAXES	**25,009,238**	8,296,482
INCOME TAXES	**36,090**	18,089
NET INCOME	**$ 24,973,148**	$ 8,278,393

See notes to the consolidated financial statements.

WESTEX BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31,	2020	2019
NET INCOME	**$ 24,973,148**	$ 8,278,393
OTHER ITEMS OF COMPREHENSIVE INCOME		
Unrealized holding gain arising during period	**1,982,132**	3,386,276
Total other items of comprehensive income	**1,982,132**	3,386,276
Comprehensive income	**$ 26,955,280**	$ 11,664,669

See notes to the consolidated financial statements.

WESTEX BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2020 and 2019

	Common Stock	Subscription Receivable	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2018	$ 80,790	$ (31,735)	$ (791,220)	$ 60,677,008	$ (1,408,004)	$ 58,526,839
Net income	-	-	-	8,278,393	-	8,278,393
Net change in available-for-sale securities	-	-	-	-	3,386,276	3,386,276
Cumulative effect of adoption of the revenue recognition standard ASC 606 (Note 1)	-	-	-	250,000	-	250,000
Reclassification related to the adoption of ASC 2016-01 (Note 1)	-	-	-	1,049,878	(1,049,878)	-
Shareholder distributions	-	-	-	(3,815,775)	-	(3,815,775)
Subscription payment	-	7,934	-	-	-	7,934
Treasury stock sold	-	-	355,432	156,856	-	512,288
Treasury stock acquired	-	-	(712,629)	-	-	(712,629)
Balance at December 31, 2019	80,790	(23,801)	(1,148,417)	66,596,360	928,394	66,433,326
Net income	-	-	-	**24,973,148**	-	**24,973,148**
Net change in available-for-sale securities	-	-	-	-	**1,982,132**	**1,982,132**
Shareholder distributions	-	-	-	**(4,099,735)**	-	**(4,099,735)**
Subscription payment	-	**7,933**	-	-	-	**7,933**
Treasury stock sold	-	-	**31,735**	**28,233**	-	**59,968**
Treasury stock acquired	-	-	**(433,712)**	-	-	**(433,712)**
Balance at December 31, 2020	**$ 80,790**	**$ (15,868)**	**$ (1,550,394)**	**$ 87,498,006**	**$ 2,910,526**	**$ 88,923,060**

See notes to the consolidated financial statements.

WESTEX BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2020	2019
OPERATING ACTIVITIES		
Net income	$ 24,973,148	$ 8,278,393
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,032,868	1,081,671
Provision for loan losses and uncollectible accounts receivable	1,486,419	174,802
Net premium amortization of securities	551,116	738,546
Unrealized gain on marketable equity securities	(16,650,089)	(652,667)
Loss on sale of marketable equity securities	1,351	-
Net (gain) loss on sale and writedowns of other real estate	(6,140)	77,000
Net (gain) loss on sale or disposal of fixed assets	(4,402)	55,118
Net changes in:		
Accounts receivable	418,455	(1,196,494)
Accrued interest receivable	40,946	68,884
Cash surrender value	(240,380)	(238,660)
Other assets	77,586	(78,963)
Accrued interest payable	(47,160)	82,353
Accounts payable and accrued liabilities	(684,000)	1,758,776
Other liabilities	500,085	(1,161,125)
Net cash provided by operating activities	11,449,803	8,987,634
INVESTING ACTIVITIES		
Activity in securities available-for-sale:		
Maturities, prepayments and calls	214,307,431	215,521,525
Purchases	(199,999,739)	(200,996,064)
Activity in equity investment securities:		
Sales	749,463	-
Purchases	(2,438,239)	-
Purchase of Federal Home Loan Bank stock	(31,700)	(65,700)
Net change in loans	(3,791,645)	(9,194,222)
Purchase of investment - other assets	(100,000)	-
Proceeds from the sale of other real estate and insurance	41,572	-
Proceeds from the sale of premises and equipment and vehicles	-	1,293
Purchase of premises and equipment	(347,406)	(479,281)
Net cash provided by investing activities	8,389,737	4,787,551
FINANCING ACTIVITIES		
Net change in deposits	77,211,409	(16,890,205)
Shareholder distributions	(4,435,719)	(3,640,982)
Proceeds from sales of treasury stock and subscription payments	67,901	520,222
Payments from the purchase of treasury stock	(433,712)	(712,629)
Net proceeds from FHLB advances	3,000,000	12,000,000
Proceeds from Paycheck Protection Program loan	1,827,200	-
Proceeds from issuance of borrowings	92,115	87,750
Payments on borrowings and capital leases	(303,904)	(313,047)
Net cash provided (used) by financing activities	77,025,290	(8,948,891)
INCREASE IN CASH AND CASH EQUIVALENTS	96,864,830	4,826,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,256,539	21,430,245
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 123,121,369	$ 26,256,539

See notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accounting and reporting policies of Westex Bancorp, Inc. ("Westex") and Subsidiaries, referred to collectively as the Company, conform to U.S. generally accepted accounting principles ("GAAP") and to general practices within the banking and insurance industries. The Company is organized under a Unitary Thrift charter and engages in the banking and insurance businesses through its operations and those of its subsidiaries.

Consolidation – The consolidated financial statements include the accounts of Westex and its wholly-owned subsidiaries, the Bank & Trust, SSB (the "Bank") and Anco Insurance Managers, Inc. ("Anco"). All significant intercompany balances and transactions have been eliminated in the above-mentioned consolidations.

Business – The Company through its banking subsidiary provides a variety of financial services including banking and investment services to individuals and small businesses through its offices in Del Rio, Sonora, San Angelo and Brackettville, Texas. Its primary deposit products are non-interest bearing, interest-bearing and term certificate accounts and its primary lending products are real estate, commercial and installment loans.

The Company through its Anco subsidiary provides personal, commercial and life and health insurance policies in the state of Texas.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and doubtful accounts, the valuation of other real estate owned, accruals for life and group commission receivables, other receivables based on amounts billed directly by the carrier, and the liability for deferred compensation.

Variable Interest Entities (VIE) – The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE") under U.S. generally accepted accounting principles. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's investments. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. As of December 31, 2020, the Company did not have a controlling interest in any entity that should be treated as a VIE.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Group Concentrations of Credit Risk – Most of the Company's banking activities are with customers located within the southwest region of Texas and the adjacent border of Mexico. Note 3 discusses the types of securities in which the Company invests. Note 4 discusses the types of lending in which the Company engages. The Company's insurance activities through its Anco subsidiary are with customers throughout Texas.

Cash and Cash Equivalents – For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash, balances due from banks, and federal funds sold. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on cash and cash equivalents and it monitors the conditions of its correspondent banks quarterly under Regulation F. The FDIC Deposit Insurance coverage limit is $250,000.

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; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. As of December 31, 2020, the maximum credit risk exposure is **$10,940,050**. In monitoring this credit risk, the Company periodically evaluates the stability of the financial institutions with which it has deposits.

The Bank is required to maintain average cash reserve balances with the Federal Reserve Bank or depository banks thereof. There is no balance required at December 31, 2020. The reserve required at December 31, 2019 was approximately $2,994,000.

Interest Bearing Time Deposits in Banks – Interest bearing deposits in banks mature within one year and are carried at cost.

Securities – The Company's investments in securities are classified and accounted for as follows:

Securities Available-for-Sale – Securities available-for-sale are recorded at fair value and consist of bonds, notes, and debentures not classified as trading securities nor as securities to be held-to-maturity.

Securities Held-to-Maturity – Securities held-to-maturity are securities that management has the positive intent and ability to hold to maturity and are classified as "held-to-maturity" and are recorded at amortized cost.

Marketable Equity Securities – Marketable equity securities are carried at fair value with changes in fair value reported in net income. Equity securities without readily determinable fair value are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrealized holding gains and losses on securities available-for-sale are excluded from earnings and reported in accumulated other comprehensive income (loss). Premiums and discounts are recognized in interest income using the interest method. Gains and losses on the sale of securities are recorded on the trade date and 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, if any, would result in write-downs of the individual securities to their fair value. The related write-downs, if any, would be included in earnings as realized losses.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Market interest rate fluctuations can affect the prepayment speed of principal and the yield on the security.

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal adjusted for any charge-offs and the allowance for loan losses.

Loan origination fees are recognized as income and loan origination costs are expensed as incurred, as management has determined that capitalization of these items would be immaterial to the consolidated financial statements.

Interest on loans is recognized on a daily basis on balances outstanding. The accrual of interest on real estate and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Installment loans and other personal loans are typically charged off no later than 120 days past due. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Troubled Debt Restructured 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 in the year of modification and will be assessed periodically for continued impairment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses – The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses inherent in the loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest 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 collection of scheduled principal and interest payments when due. Loans that experience insignificant 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 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 either 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 if the loan is collateral-dependent.

Allowance for Doubtful Accounts – The allowance for doubtful accounts is based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include growth and composition of accounts receivable, the relationship of the allowance for doubtful accounts to accounts receivable, and current economic conditions. The allowance for doubtful accounts totaled **$11,933** and $11,933 as of December 31, 2020 and 2019, respectively.

Premises and Equipment – Land is carried at cost. Buildings and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized on straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful lives range from 1 to 40 years. When an asset is sold, retired, or otherwise disposed of, cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in current operations. Repairs and maintenance are charged to expense as incurred and expenditures for renewals and betterments are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreclosed Assets – Assets acquired through loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure. All write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, property held for sale is carried at the lower of the new cost basis or fair value less costs to sell and depreciation is not recorded.

Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value and depreciated based on the remaining useful life. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating income and other operating expenses, respectively.

Restricted Stock – Federal Home Loan Bank and Federal Reserve Bank of Dallas are considered to be restricted stock with limited marketability and is carried at cost. Federal Home Loan Bank stock had a carrying value of **$2,736,700** and $2,705,000 as of December 31, 2020 and 2019, respectively. Federal Reserve Bank of Dallas stock had a carrying value of **$660,000** as of December 31, 2020 and 2019.

Cash Surrender Value of Life Insurance – The Company has purchased life insurance policies on certain executives. Life insurance policies are initially recorded at cost at the date of purchase. Subsequent to purchase, the policies are periodically adjusted for changes in the contract value. The adjustment to contract value increases or decreases the carrying value of the policies and is recorded as income or expense on the consolidated statements of income.

Goodwill and Other Intangible Assets – Goodwill is recorded in business combinations under the purchase method of accounting when the purchase price is higher than the fair value of the net assets, including identifiable intangible assets. Goodwill is assessed for impairment annually, and more frequently in certain circumstances.

Various valuation methodologies are applied to compare the estimated fair value to the carrying value. If the fair value is less than the carrying amount, a second test is required to measure the amount of impairment. The Company recognizes impairment losses as a charge to noninterest expense and an adjustment to the carrying value of the goodwill asset. Subsequent reversals of goodwill impairment are prohibited.

The intangibles are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future net cash flows is less than the carrying value of the asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is comprised of the following amounts as of December 31, 2020:

Anco acquisition in 2001	$	**3,476,373**
Concho Investment Advisors, Inc. acquisition in 2007		**2,195,995**
Uvalde investment advisor acquisition in 2008		**276,676**
Goodwill	**$**	**5,949,044**

No impairment of goodwill was noted in 2020 and 2019.

Accounts Receivable – In Anco's capacity as an insurance agent or broker, Anco typically collects premiums from insureds and, after deducting the authorized commissions, remits the net premiums to the appropriate insurance company or companies. Accordingly, as reported in the Consolidated Balance Sheets, premiums are receivable from insureds. Unremitted net insurance premiums are held in a fiduciary capacity until Anco disburses them. In other circumstances, the insurance companies collect the premiums directly from the insureds and remit the applicable commissions to Anco.

Investment in The Bank & Trust – Bryan/College Station ("TB&T") – In 2009, the Company purchased its investment in TB&T for $2,000,138 for an initial 9.11% ownership. In 2010, the Company purchased an additional interest in TB&T totaling $302,571. The Company owned 8.03% as of December 31, 2019, and was carried at cost. On January 1, 2020 The Bank and Trust of Bryan/College Station ("TB&T") sold to First Financial ("FFIN") in a stock exchange. Westex Bancorp's 403,007 shares in TB&T with a book value of $2,302,709 converted to 503,839 FFIN shares. FFIN share price at time of closing was $35.10/share. A gain on the conversion (non-taxable) of approximately $15.4 million was recorded in January 2020. The FFIN stock is marked to market each month and value changes are reflected on the consolidated income statement. A taxable event will not occur until the FFIN stock is sold. As of December 31, 2020, the investment is considered an equity investment and is included in marketable equity securities on the consolidated balance sheet.

Employee Benefit Plans – Westex and Anco have employee benefit plans covering substantially all employees who meet age and service requirements. Costs are charged to salaries and benefits expense and are funded as accrued.

Income Taxes

Anco – In 2013, Anco elected to be treated as a Qualified Sub-Chapter S Subsidiary. Under those provisions, the Company's income, deductions, losses, and credits flow directly to the shareholders.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Westex – Westex elected to be taxed as a Sub-Chapter S Corporation under the Internal Revenue Code, effective in 2007. Under those provisions, Westex's income, deductions, losses, and credits flow directly to the shareholders. Westex does pay franchise taxes, which are considered income taxes on the consolidated statements of income.

U.S. generally accepted accounting principles require the Company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company's management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company's management believes it is no longer subject to income tax examinations for years prior to 2017.

Dividends from Subsidiary – Westex is primarily dependent upon dividends from the Bank and Anco to provide funds for the payment of dividends to shareholders and other cash requirements. The amount available to be declared as dividends by the Bank in any calendar year is limited, as regulatory authorities consider the adequacy of the Bank's total capital in relation to its assets and other factors. Historically, the Company has not allowed the Bank to pay dividends in such a manner as to impair the Bank's capital adequacy.

Off-Balance Sheet Financial Instruments – In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Advertising – Advertising costs are expensed as incurred. Advertising expense totaled **$490,498** and $653,320 for the years ended December 31, 2020 and 2019, respectively.

Regulatory Enforcement Action – The Bank is currently operating under a Cease and Desist Order issued jointly by the Federal Reserve Bank and The Texas Department of Saving and Mortgage Lending ("TDSML") for deficiencies in the Bank's risk management and compliance with applicable laws, rules and regulation relating to anti-money laundering, including the Bank Secrecy Act. The Order was issued August 8, 2017. The Bank is actively addressing the items listed in the order and has met all reporting deadlines with the Federal Reserve and the TDSML. The Bank is fully confident the actions they have taken in response will lead to release from the Order.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paycheck Protection Program Loan Forgiveness – In April 2020, Anco entered into a loan agreement under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the amount of **$1,827,200**. The loan was guaranteed by the Small Business Administration ("SBA"). Under the terms of the loan, interest and principal payments on the loan were deferred until the Company had applied for loan forgiveness and the SBA has made a determination as to the amount of the loan to be forgiven. The loan and all related accrued interest was forgiven in full in 2021.

Effect of the Adoption of ASC 606 – In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers"* ("ASC 606"), which provides guidance for revenue recognition. ASC 606 affects any entity that either enters into contracts with customers to transfer goods or services. It supersedes the revenue recognition requirements in Topic 605, *"Revenue Recognition,"* and most industry-specific guidance. The standard's core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. Effective as of January 1, 2019, the Company adopted ASU 2014–09, and all related amendments, which established ASC 606. The majority of the Company's revenues, excluding interest income, is within the scope of ASC 606. In 2019, the Company adopted these standards and recognized an adjustment to retained earnings of $250,000, under the modified retrospective method for contracts not completed as of the day of adoption because the guidance includes requirements to estimate variable or contingent consideration to be received, which resulted in revenue being recognized earlier than under legacy GAAP.

Adoption of New Accounting Standards – *ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment".* In January 2017, the FASB amended existing guidance to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The amendments require an entity to perform an annual, or interim, goodwill impairment test by comparing fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The amendments also eliminate the requirement for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The amendment was adopted effective January 1, 2020. The adoption of the guidance did not have an impact on the Company's consolidated financial statements.

2. STATEMENT OF CASH FLOWS

The Company reports on a net basis its cash receipts and cash payments for certificates of deposit accepted and repayments of those deposits, loans made to customers and principal collections on those loans, and interest bearing time deposits in other banks.

The Company uses the indirect method to present cash flows from operating activities. Supplemental information on cash flows and non-cash transactions for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Cash transactions:		
Interest expense paid	**$ 1,413,734**	$ 1,392,266
Noncash transactions:		
Transfer of investment to equity investment	**$ 2,302,709**	$ -
Purchases of capital leases	**$ -**	$ 138,598
Cancelled capital leases	**$ 137,626**	$ -
Foreclosed properties	**$ 12,187**	$ 23,245
Cumulative effect of adoption of the revenue recognition standard ASC 606	**$ -**	$ 250,000

3. INVESTMENT SECURITIES

Investment securities consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
December 31, 2020				
Available-for-sale securities				
Mortgage-backed securities	**$ 14,203,174**	**$ 96,393**	**$ 74,946**	**$ 14,224,621**
Collateralized mortgage obligations	**15,464,696**	**613,410**	**3**	**16,078,103**
State and municipal securities	**37,344,042**	**2,275,673**	**-**	**39,619,715**
Total	**$ 67,011,912**	**$ 2,985,476**	**$ 74,949**	**$ 69,922,439**
Marketable equity securities				
Marketable equity investments	**$ 6,804,830**	**$ 18,381,651**	**$ 29,019**	**$ 25,157,462**

3. INVESTMENT SECURITIES (continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
December 31, 2019				
Available-for-sale securities				
Mortgage-backed securities	$ 18,768,046	$ 34,054	$ 149,224	$ 18,652,876
Collateralized mortgage obligations	21,123,014	113,387	169,998	21,066,403
State and municipal securities	41,979,661	1,146,175	46,000	43,079,836
Total	$ 81,870,721	$ 1,293,616	$ 365,222	$ 82,799,115
Marketable equity securities				
Marketable equity investments	$ 2,814,697	$ 1,859,279	$ 156,737	$ 4,517,239

Investment securities carried at **$66,173,279** and $73,564,943 at December 31, 2020 and 2019, respectively, were pledged to secure public funds, federal funds purchased and for other purposes required or permitted by law.

Sales proceeds and respective gross gains (losses) for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Sales proceeds	**$ 749,463**	$ -
Gross gains	**$ -**	$ -
Gross losses	**$ 1,351**	$ -

The scheduled maturities of securities **available-for-sale** at December 31, 2020 were as follows:

	Amortized Cost	Estimated Market Value
Due in one year or less	**$ 555,789**	**$ 556,874**
Due in one to five years	**4,082,307**	**4,237,271**
Due in five to ten years	**10,017,502**	**10,575,958**
Due in over ten years	**22,688,444**	**24,249,612**
Total	**37,344,042**	**39,619,715**
Mortgage-backed securities and collateralized mortgage obligations	**29,667,870**	**30,302,724**
Total	**$ 67,011,912**	**$ 69,922,439**

3. INVESTMENT SECURITIES (continued)

The following table shows the Company's investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2020 and 2019.

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2020						
Available-for-sale						
Mortgage-backed securities (18)	**$ 1,910,205**	**$ 11,306**	**$ 4,408,043**	**$ 63,640**	**$ 6,318,248**	**$ 74,946**
Collateralized mortgage obligations (1)	**331**	**3**	**-**	**-**	**331**	**3**
Marketable equity securities						
Marketable equity securities (1)	**224,031**	**29,019**	**-**	**-**	**224,031**	**29,019**
December 31, 2019						
Available-for-sale						
Mortgage-backed securities (28)	$ 2,245,825	$ 6,818	$ 10,512,242	$ 142,406	$ 12,758,067	$ 149,224
Collateralized mortgage obligations (23)	7,931,456	83,862	4,797,579	86,136	12,729,035	169,998
State and municipal securities (13)	1,429,627	15,175	2,679,334	30,825	4,108,961	46,000
Marketable equity securities						
Marketable equity securities (2)	393,389	156,737	-	-	393,389	156,737

Unrealized Losses – The unrealized losses on the Company's investments were caused by interest rate changes. The Company purchased some of these investments at a premium relative to their face amount. At December 31, 2020, the outstanding premium related to investments in a loss position was as follows:

Mortgage-backed securities	$ 356,681
Collateralized mortgage obligations	$ -
State and municipal securities	$ -

Accordingly, it is expected that the securities with premiums could be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2020.

3. INVESTMENT SECURITIES (continued)

Other-than-temporary Impairment – Management evaluates securities for other-than-temporary impairment at least quarterly, 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) evaluation by the Company of (a) its intent to sell a debt security prior to recovery and (b) whether it is more likely than not the Company will have to sell the debt security prior to recovery. As of December 31, 2020 and 2019, no investment securities were other-than-temporarily impaired.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following at December 31:

	2020	2019
Commercial	**$ 53,973,415**	$ 41,585,461
Real estate	**227,276,479**	231,017,202
Installment and other	**11,911,912**	16,160,790
Total loans	**293,161,806**	288,763,453
Less: Unearned PPP origination fees	**(639,762)**	-
Less: Allowance for loan losses	**(3,346,966)**	(1,886,216)
Total	**$ 289,175,078**	$ 286,877,237

Paycheck Protection Program – During 2020, the Small Business Administration (“SBA”) offered the Paycheck Protection Program (“PPP”) in response to the global pandemic. The SBA program offered unsecured PPP loans with an interest rate of 1% and, depending on the origination date, a maturity date of two years or five years. Loan payments were deferred for borrowers who apply for forgiveness of the loan from the SBA. If no forgiveness is applied for, payments are deferred for ten months after the end of the covered period. As of December 31, 2020, outstanding PPP loans not yet forgiven by the SBA were **$13,456,793** and included within the Commercial loan category.

The Company earned processing fees on each originated loan between 1% and 5%, depending on the size of the loan. Fees for individual loans which totaled less than or equal to $1,000 were recognized on the statement of income at time of origination. Fees for individual loans which totaled greater than $1,000 was deferred and recognized over the life of the loan or until forgiven by the SBA. As of December 31, 2020, the Company had deferred PPP origination fees remaining in the amount of **$639,762**. Total fees recognized for the year ended December 31, 2020 were **$258,702** and are included within the balance of the interest and fees on loans on the consolidated statement of income.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Loan Origination/Risk Management – The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. The intent of management is to make loans to borrowers of good character and integrity. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to repay the loan through operating profitably and effectively growing its business. The Company's management examines 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 credit quality and cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value.

Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to add strength to the credit and reduce the risk on a transaction to an acceptable level; however, some short-term loans may be made on an unsecured basis to the most credit worthy borrowers. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. Due to the nature of accounts receivable and inventory secured loans, the Company closely monitors credit availability and collateral through the use of various tools, including but not limited to borrowing-base formulas, periodic accounts receivable agings, periodic inventory audits, and/or collateral inspections.

Real estate loans are subject to underwriting standards and processes similar to commercial loans. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. Management monitors and evaluates commercial real estate loans based on collateral and risk grade criteria. As a general rule, the Company avoids financing special use projects unless strong secondary support is present to help mitigate risk.

With respect to loans to developers and builders, the Company generally requires the borrower to have a proven record of success and an expertise in the building industry. Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing. Due to the nature of the real estate industry, the Company evaluates the borrower's ability to service the interest of the debt from other sources other than the sale of the constructed property.

Consumer real estate loans are subject to the underwriting standards developed by the Federal National Mortgage Association ("FNMA") for prime mortgages. These standards place a premium on the borrower's current ability to service debt and a proven track record of servicing debt in the past. The Company's policies and procedures discourage the underwriting of sub-prime mortgages. The Company periodically monitors its consumer real estate loans for deterioration in the borrower's financial strength and deterioration in property values.

The Company's non-real estate consumer loans are based on the borrower's proven earning capacity over the term of the loan. The Company monitors payment performance periodically for consumer loans to identify any deterioration in the borrower's financial strength. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed, jointly by management and staff. This activity, coupled with a relatively small volume of consumer loans, minimizes risk.

The Company engages its auditors to complete an independent loan review that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management. The loan review process complements and reinforces the risk ratings and credit quality assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

Related Party Loans – In the ordinary course of business, the Company makes loans to executive officers and directors. These loans are made on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other customers.

Loans to these related parties, including companies in which they are principal owners were as follows:

	2020	2019
Principal outstanding, beginning of year	**$ 12,382,813**	$ 9,160,670
New loans made in current year	**2,267,230**	6,927,437
Loans no longer considered related party	**(2,001,392)**	-
Repayments	**(3,109,677)**	(3,705,294)
Principal outstanding, end of year	**$ 9,538,974**	$ 12,382,813

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Past Due Loans – An age analysis of past due loans, segregated by class of loans were as follows:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Still Accruing
December 31, 2020							
Commercial	**$ -**	**$ 12,677**	**$ 86,455**	**$ 99,132**	**$ 53,874,283**	**$ 53,973,415**	**$ -**
Real estate	**1,683,185**	**-**	**163,429**	**1,846,614**	**225,429,865**	**227,276,479**	**-**
Installment and other	**3,549**	**-**	**-**	**3,549**	**11,908,363**	**11,911,912**	**-**
Total	**$ 1,686,734**	**$ 12,677**	**$ 249,884**	**$ 1,949,295**	**$ 291,212,511**	**$ 293,161,806**	**$ -**
December 31, 2019							
Commercial	$ 411,578	$ -	$ -	$ 411,578	$ 41,173,883	$ 41,585,461	$ -
Real estate	1,021,376	240,949	446,207	1,708,532	229,308,670	231,017,202	19,812
Installment and other	11,742	4,738	-	16,480	16,144,310	16,160,790	-
Total	$ 1,444,696	$ 245,687	$ 446,207	$ 2,136,590	$ 286,626,863	$ 288,763,453	$ 19,812

Impaired Loans – The Company did not have any impaired loans as of December 31, 2020 and 2019.

Non-Accrual Loans – Non-accrual loans, segregated by class were as follows:

	2020	2019
Commercial	**$ 161,879**	$ -
Real estate	**176,106**	426,395
Installment and other	**11,915**	36,143
Total	**$ 349,900**	$ 462,538

The effect of not recognizing interest income on nonaccrual loans in accordance with the original terms was approximately **$49,693** and $20,795 during the years ended December 31, 2020 and 2019, respectively.

Troubled Debt Restructurings – The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules, and other actions intended to minimize potential losses.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

As of December 31, 2020, the Bank had total outstanding loans modified in troubled debt restructurings of **$126,667** with an allowance of **$72,753**. As of December 31, 2019, the Company had total outstanding loans modified in troubled debt restructurings of $196,854 with an allowance of $38,196.

During the years ended December 31, 2020 and 2019, the following troubled debt restructurings occurred, excluding any troubled debt restructurings that paid off or were charged off as of December 31, 2020 and 2019:

	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Number
December 31, 2020			
Troubled debt restructuring			
Commercial	-	$ -	$ -
Real estate	**1**	**48,396**	**48,396**
Installment and other	**1**	**27,719**	**27,719**
December 31, 2019			
Troubled debt restructuring			
Commercial	2	$ 303,998	$ 103,998
Real estate	-	-	-
Installment and other	-	-	-

There were no outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings.

As of December 31, 2020 and 2019, the Company did not have any subsequent defaults for the troubled debt restructurings.

Additionally, the Company is working with borrowers impacted by COVID-19 and providing modifications to include interest only deferral or principal and interest deferral of payments. The Company is following guidance of the FFIEC which exempts the COVID-19 modifications from being reported and accounted for as a Troubled Debt Restructure ("TDR"). These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators. As of December 31, 2020, the Company modified **56** commercial and consumer loans with outstanding balances of **$686,656**.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Credit Quality Indicators – As part of the on-going monitoring of the credit quality of the Company's loan portfolio, the Company utilizes a risk grading system to assign a risk grade to each of its loans. Accurate and timely credit grading is a primary component of an effective loan review system. Loans are graded on a scale of pass to loss. A description of the general characteristics of the risk grades are as follows:

Pass – Loans underwritten using current industry standard guidelines with satisfactory payment history and normal associated risk.

Special Mention – This is a warning grade that indicates one or more deficiencies exist, but potential loss is considered to be normal and remote. One or more factors adversely affecting positive, steady or favorable trend exist. Further deterioration could lead to potential loss situation. Management considers loans graded as Special Mention Loans to be Pass credits. However, monthly monitoring by Management and the Servicing Loan Officer is required to properly administer credits of this nature.

Substandard – This grade includes "Substandard" loans, in accordance with regulatory guidelines, for which the accrual of interest has not been stopped. These loans tend to have more than normal risk due to financial condition, unfavorable record of the obligor, insufficiency of the collateral, and other factors that impact unfavorably on the credit.

Doubtful – This grade includes loans which ultimate collection or value of which is doubtful and substantial loss is probable, but not yet ascertainable in amount. At least one factor has deteriorated to such a level that some loss to the bank is imminent.

Loss – This grade includes "Loss" loans in accordance with regulatory guidelines. Such loans are to be charged-off or charged-down when payment is acknowledged to be uncertain or when the timing or value of payments cannot be determined. "Loss" is not intended to imply that the loan or some portion of it will never be paid, nor does it in any way imply that there has been a forgiveness of debt.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Nonperforming loans for the disclosure below are loans thirty days past due or greater.

Credit Risk Profile by Internally Assigned Grade

	Commercial	Real Estate	Installment and other	Total
December 31, 2020				
Grade:				
Pass	**$ 53,155,561**	**$ 220,360,511**	**$ 11,760,566**	**$ 285,276,638**
Special Mention	**476,363**	**5,734,773**	**46,734**	**6,257,870**
Substandard	**341,491**	**1,181,195**	**104,612**	**1,627,298**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**
Total	**$ 53,973,415**	**$ 227,276,479**	**$ 11,911,912**	**$ 293,161,806**
December 31, 2019				
Grade:				
Pass	$ 41,106,499	$ 227,797,830	$ 16,045,469	$ 284,949,798
Special Mention	230,675	1,444,200	8,347	1,683,222
Substandard	248,287	1,775,172	106,974	2,130,433
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	$ 41,585,461	$ 231,017,202	$ 16,160,790	$ 288,763,453

Credit Risk Profile Based on Payment Activity

	Commercial	Real Estate	Installment and other	Total
December 31, 2020				
Performing	**$ 53,874,283**	**$ 225,429,865**	**$ 11,908,363**	**$ 291,212,511**
Nonperforming	**99,132**	**1,846,614**	**3,549**	**1,949,295**
Total	**$ 53,973,415**	**$ 227,276,479**	**$ 11,911,912**	**$ 293,161,806**
December 31, 2019				
Performing	$ 41,173,883	$ 229,308,670	$ 16,144,310	$ 286,626,863
Nonperforming	411,578	1,708,532	16,480	2,136,590
Total	$ 41,585,461	$ 231,017,202	$ 16,160,790	$ 288,763,453

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

Allowance for Loan Losses – The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's allowance for loan loss methodology includes allowance allocations calculated in accordance with ASC Topic 310, "Receivables" and allowance allocations calculated in accordance with ASC Topic 450, "Contingencies." Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, changes in the composition and volume of the portfolio, and specific loss allocations, with adjustments for current events and conditions. The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs.

The provision for loan losses reflects management's periodic evaluation of individual loans and changes to the required allowance for specific loans, economic factors, past loan loss experience, loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors.

The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged-off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including, among other things, the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The Company's allowance for loan losses consists of three elements: (i) specific valuation allowances determined in accordance with ASC Topic 310 based on probable losses on specific loans; (ii) historical valuation allowances determined in accordance with ASC Topic 450 based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) general valuation allowances determined in accordance with ASC Topic 450 based on general economic conditions and other qualitative risk factors both internal and external to the Company.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of problem loans. Loans are classified based on an internal credit risk grading process that evaluates, among other things: (i) the borrower's ability to repay; (ii) the underlying collateral, if any; and (iii) the economic environment and industry in which the borrower operates. The initial analysis is performed by the relationship manager and credit rating is reviewed and approved by the Chief Lending Officer.

Specific valuation allowances are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. Historical valuation allowances are calculated based on the historical loss experience of specific types of loans and the internal risk grade of such loans at the time they were charged-off. The Company calculates historical loss ratios for classifications of similar loans based on the proportion of actual charge-offs experienced to the total population of loans in the category. The historical loss ratios are periodically updated based on actual charge-off experience.

The Company's categories of similar loans include similarly risk-graded groups of commercial loans, commercial real estate loans, consumer real estate loans and installment and other loans. General valuation allowances are based on general economic conditions and other qualitative risk factors both internal and external to the Company.

In general, such valuation allowances are determined by evaluating, among other things: (i) the experience, ability and effectiveness of the Company's lending management and staff; (ii) the effectiveness of the Company's loan policies, procedures and internal controls; (iii) changes in asset quality; (iv) changes in nature and loan portfolio volume; (v) the composition and concentrations of credit; (vi) the effectiveness of the loan review function; (vii) the impact of national and local economic business conditions; and (viii) the impact of external factors, such as competition or legal and regulatory requirements. The results are then input into a "general allocation matrix" to determine an appropriate general valuation allowance. Loans identified as losses by management, external loan review and/or bank examiners are charged-off. Furthermore, installment loan accounts are charged-off automatically based on regulatory requirements.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

The following table details activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2020 and 2019. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

Allowance for Loan Losses (ALLL)

	Commercial	Real Estate	Installment and other	Unallocated	Total
December 31, 2020					
Beginning balance	**$ 291,019**	**$ 1,438,459**	**$ 165,283**	**$ (8,545)**	**$ 1,886,216**
Charge-offs	**-**	**(327)**	**(120,924)**	**-**	**(121,251)**
Recoveries	**6,800**	**2,355**	**91,229**	**-**	**100,384**
Provision	**598,661**	**818,044**	**64,912**	**-**	**1,481,617**
Ending balance	**$ 896,480**	**$ 2,258,531**	**$ 200,500**	**$ (8,545)**	**$ 3,346,966**
Ending balance allocated to loans individually evaluated for impairment	**$ 77,763**	**$ 2,547**	**$ 11,915**	**$ -**	**$ 92,225**
Ending balance allocated to loans collectively evaluated for impairment	**818,717**	**2,255,984**	**188,585**	**(8,545)**	**3,254,741**
Total ALLL at December 31, 2020	**$ 896,480**	**$ 2,258,531**	**$ 200,500**	**$ (8,545)**	**$ 3,346,966**
December 31, 2019					
Beginning balance	$ 270,436	$ 1,340,737	$ 169,064	$ 191,134	$ 1,971,371
Charge-offs	(201,629)	(6,797)	(84,115)	-	(292,541)
Recoveries	8,000	-	29,386	-	37,386
Provision	214,212	104,519	50,948	(199,679)	170,000
Ending balance	$ 291,019	$ 1,438,459	$ 165,283	$ (8,545)	$ 1,886,216
Ending balance allocated to loans individually evaluated for impairment	$ 38,196	$ 61,037	$ -	$ -	$ 99,233
Ending balance allocated to loans collectively evaluated for impairment	252,823	1,377,422	165,283	(8,545)	1,786,983
Total ALLL at December 31, 2019	$ 291,019	$ 1,438,459	$ 165,283	$ (8,545)	$ 1,886,216

4. LOANS AND ALLOWANCE FOR LOAN LOSSES (continued)

The Company's recorded investment in loans as of December 31, 2020 and 2019 related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology was as follows:

Loans Receivable

	Commercial	Real Estate	Installment and other	Total
December 31, 2020				
Ending balance of loans individually evaluated for impairment	**$ 817,854**	**$ 6,915,968**	**$ 151,346**	**$ 7,885,168**
Ending balance of loans collectively evaluated for impairment	**53,155,561**	**220,360,511**	**11,760,566**	**285,276,638**
Ending balance	**$ 53,973,415**	**$ 227,276,479**	**$ 11,911,912**	**$ 293,161,806**
December 31, 2019				
Ending balance of loans individually evaluated for impairment	$ 248,287	$ 1,775,172	$ 106,974	$ 2,130,433
Ending balance of loans collectively evaluated for impairment	41,337,174	229,242,030	16,053,816	286,633,020
Ending balance	$ 41,585,461	$ 231,017,202	$ 16,160,790	$ 288,763,453

5. OTHER REAL ESTATE OWNED

A summary of transactions in other real estate for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Balance at beginning of year	**$ 399,245**	$ 453,000
Property sold	**(35,432)**	-
Property foreclosed	**12,187**	23,245
Write-down on other real estate	**-**	(77,000)
Balance at end of year	**$ 376,000**	$ 399,245

During 2020, the Company sold other real estate for a total sales price of **$41,572**, resulting in a gain of **$6,140**. There were no sales of other real estate during 2019.

6. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31:

	2020	2019
Land	**$ 2,721,589**	$ 2,721,589
Buildings and leasehold improvements	**13,107,816**	13,085,546
Furniture, fixtures and equipment	**9,563,952**	9,603,432
Construction in process	**85,631**	46,765
	25,478,988	25,457,332
Less: accumulated depreciation	**(13,860,842)**	(13,020,500)
Total	**$ 11,618,146**	$ 12,436,832

Depreciation expense is included in occupancy and equipment expense on the consolidated statements of income and consists of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Depreciation expense	**$ 1,032,868**	$ 1,081,671

In 2020, the Company did not sell or dispose of premises and equipment. In 2019, the Company sold, traded-in and disposed of premises and equipment for $1,293, which resulted in a net loss of $55,118.

In 2020, capital leases were cancelled and renewed for a net gain of **$4,402**. In 2019, no capital leases assets were cancelled and renewed.

7. DEPOSITS

Deposits are summarized as follows as of December 31:

	2020		2019	
	Amount	Percent	Amount	Percent
Non-interest bearing demand accounts	**$ 147,875,652**	**34.5%**	$ 131,056,882	37.3%
Interest bearing demand accounts	**113,803,663**	**26.6%**	75,646,599	21.5%
Savings accounts	**43,355,043**	**10.1%**	33,224,751	9.5%
Limited access money market accounts	**62,205,162**	**14.5%**	55,500,779	15.8%
Certificates of deposit, less than $250,000	**39,918,941**	**9.3%**	38,409,598	10.9%
Certificates of deposit, $250,000 and greater	**21,422,299**	**5.0%**	17,530,742	5.0%
Total	**$ 428,580,760**	**100.0%**	$ 351,369,351	100.0%

7. DEPOSITS (continued)

At December 31, 2020, the scheduled maturities of certificates of deposits were as follows:

2021	$ 46,358,383
2022	8,893,624
2023	3,932,552
2024	349,310
2025	1,807,371
Total	$ 61,341,240

8. ADVANCES FROM FEDERAL HOME LOAN BANK

As of December 31, 2020 and 2019, the Company had advances from the Federal Home Loan Bank totaling **$15,000,000** and $12,000,000, respectively. The borrowings have fixed interest rates ranging from 0.567% and 2.175% and advances have maturity dates ranging from March 2021 to June 2022. The amount of loans pledged as collateral under the agreement approximate $250,246,000. Additional secured borrowings of approximately $138,621,000 can be made from the Federal Home Loan Bank when requested by the Company.

9. BORROWINGS AND CONTINGENT PAYABLES

Anco Notes Payable

Building Note Payable – On February 25, 2011, Anco entered into a note payable for $2,146,250 with a bank to purchase a commercial office building in which Anco relocated its corporate offices in December 2011. The interest rate is variable adjusting every five years based on the weekly average yield on United States Treasury Securities, adjusted to a contstant maturity of five years, currently 2.34% plus 3.00% with a floor of 5.50% (**5.50%** at December 31, 2020) for the term of the note with monthly principal and interest payments of $17,092. The note matures in February 2026 and the balance as of December 31, 2020 and 2019 was **$1,068,564** and $1,209,495, respectively. The note is secured by commercial real estate and guaranteed by Westex Bancorp, Inc. As of December 31, 2020 and 2019, **$534,113** and $604,638, respectively was eliminated in consolidation.

On June 29, 2017, Anco entered into a note payable for $629,000 with a bank to purchase land and a building. The interest rate is variable adjusting every five years based on the weekly average yield on United States Treasury Securities, adjusted to a constant maturity of five years, currently 1.780% plus 2.5% with a floor of 4.375% (**4.375%** at December 31, 2020) for the term of the note with monthly principal and interest payments of $4,792. This note matures in October, 2032 and the balance as of December 31, 2020 and 2019 was **$528,630** and $561,934, respectively. The note is secured by commercial real estate and guaranteed by Westex Bancorp, Inc.

9. BORROWINGS AND CONTINGENT PAYABLES (continued)

Insurance Premium Note Payable – On October 17, 2020, Anco entered into a note payable for $92,115 with a premium finance company to finance its annual insurance premiums. The interest rate is fixed at 3.959% for the term of the note with principal and interest payments of $10,404 due monthly. The note matures in August 2021 and the balance as of December 31, 2020 was **$71,880**. The note is unsecured.

On October 17, 2019, Anco entered into a note payable for $87,750 with a premium finance company to finance its annual insurance premiums. The interest rate was fixed at 3.959% for the term of the note with principal and interest payments of $9,911 due monthly. The note matured in August 2020 and the balance as of December 31, 2019 was $68,474. The note is unsecured.

Revolving Line of Credit with First Financial

Westex has a $2,000,000 revolving line of credit with a bank that is occasionally used for operating expenses and shareholder repurchases. This line has not been funded since 2009. The line matures August 30, 2021, and has an interest rate of Wall Street prime plus 0.25%. The line of credit is guaranteed with 100% of Bank Stock.

Following are the maturities of borrowings and contingent payables for each of the next five years and thereafter:

Year ending December 31,	
2021	$ 255,964
2022	192,791
2023	203,387
2024	214,425
2025	226,364
Thereafter	576,143
Less: Amount eliminated	(534,113)
	$ 1,134,961

10. CONTINGENCIES

The Company is party to litigation arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's financial position.

11. LETTER OF CREDIT/FED FUNDS PURCHASED

	Amount	Expiration Date
Federal Reserve	$ 203,650	None
Frost	$ 4,000,000	June 2021
First Financial Bank, N.A.	$ 5,000,000	August 2021

There was no balance outstanding as of December 31, 2020 and 2019.

12. CAPITAL LEASES

Capital Lease Obligations – Included on the balance sheet are capital leases as follows:

Class of Property	**2020**	2019
Computer equipment	**$ 602,942**	$ 792,786

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2020:

Year ending December 31,	
2021	$ 130,968
2022	130,968
2023	85,956
2024	27,390
	375,282
Less: Amount representing interest	25,953
Present value of net minimum lease payments	$ 349,329

13. OFF-BALANCE SHEET ACTIVITIES AND COMMITMENTS

The Company is party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial statements include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

13. OFF-BALANCE SHEET ACTIVITIES AND COMMITMENTS (continued)

The following financial instruments were outstanding whose contract amounts represent credit risk at December 31:

	Contract Amount	
	2020	2019
Unfunded loan commitments to extend credit	**$ 24,062,752**	$ 15,838,919
Standby letters of credit	**1,154,392**	408,923
Total	**$ 25,217,144**	$ 16,247,842

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 and may require payment of a fee. 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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; and income-producing commercial properties.

Commercial and standby letters of credit are conditional commitments issued by the Company 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 Company generally holds collateral supporting those commitments if deemed necessary.

Operating Lease Commitments – The Company leases office space and equipment used in the performance of its business under operating leases with terms expiring through 2023.

Minimum future lease payments are as follows:

Year ending December 31,	
2021	$ 239,916
2022	163,226
2023	108,033
	$ 511,175

Rent expense was **$303,278** and $335,161 and telecommunication expense was **$45,060** and $64,380 for the years ended December 31, 2020 and 2019, respectively and is included in occupancy expense.

14. RELATED PARTY TRANSACTIONS

Deposits from related parties held by the Company at December 31, 2020 and 2019 amounted to **$2,233,302** and $2,480,747, respectively.

The Company purchased loan participations from First Financial Bank (Formerly TB&T) with the only outstanding balance remaining as of December 31, 2020 and 2019 related to Anco for a total of **$534,113** and $604,638, respectively. The balance of this loan has been eliminated in consolidation.

Included in other liabilities are amounts due to Anco employees for salaries earned and not paid of **$1,165,536** and $672,460 at December 31, 2020 and 2019, respectively.

15. EMPLOYEE BENEFIT PLANS AND AGREEMENTS

Westex and Anco have established voluntary 401(k) savings plans for the benefit of their employees. Contributions to the plans are made by both the eligible employees and the companies as provided in the plan documents and as permitted by Internal Revenue Service regulations.

Employee benefit plan costs for the years ended December 31, 2020 and 2019 totaled:

	2020	2019
Westex employee benefit plan costs	**$ 391,473**	$ 514,861
Anco employee benefit plan costs	**$ 355,033**	$ 321,879

Anco has employment agreements with certain key officers that provide for annual base salaries and bonuses. Anco also has deferred compensation agreements with certain employees. At December 31, 2020 and 2019, Anco has recorded **$881,979** and $839,738, respectively relating to the deferred compensation agreements and commissions which are included in other liabilities.

Anco currently owes a former employee, in the payment stage, **$33,009** and $64,214 at December 31, 2020 and 2019, respectively, for deferred compensation. The effective discount rate at the start of the repayment period was 5.78% and there is one remaining annual payment of $34,917 due.

16. STOCK OPTIONS

The 2013 Stock Option Plan (2013 Plan) was adopted in April 2013 for the benefit of certain key employees. The Board of Directors grants options to purchase stock of the Company to key employees and directors of the Company. The length of time before the options expire due to death, disability or for any other reason is at the discretion of the Board of Directors, but will not exceed ten years from the date of grant and five years from the date of the grant if an individual owns 10% of the total combined voting power of all classes of stock. Stock options are granted with an exercise price determined by the Board of Directors at the time the option is granted, and ISOs will not be less than 100% of the fair market value of a share of common stock. Options for a total of 5,000 shares of common stock may be granted under the 2013 Plan. No options were granted in 2020 or 2019.

16. STOCK OPTIONS (continued)

The following schedule summarizes the pertinent information with regard to options to purchase shares of the Company's common stock for the years ended December 31, 2020 and 2019:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 2018	3,950	$ 395.35
Granted	-	-
Exercised	-	-
Terminated	-	-
Balance at December 31, 2019	3,950	395.35
Granted	-	-
Exercised	-	-
Terminated	-	-
Balance at December 31, 2020	**3,950**	**$ 395.35**

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes stock option valuation model with the following assumptions: dividend yield of 0.00%; risk-free interest rate of 0.11% and the expected life of the options are nine years. There was not a material option expense for 2020 and 2019.

The following table summarizes information about stock options outstanding at December 31, 2020:

	Options Outstanding			Options Exercisable	
Ranges of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
$ 317.35	**1,750**	**$ 317.35**	**3**	**-**	**$ 317.35**
$ 457.40	**2,200**	**$ 457.40**	**6**	**-**	**$ 457.40**

17. MINIMUM REGULATORY CAPITAL REQUIREMENTS OF THE BANK

Banks are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

17. MINIMUM REGULATORY CAPITAL REQUIREMENTS OF THE BANK (continued)

The Basel III Capital Rules became effective for the Bank on January 1, 2015. Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 capital, Tier 1 capital and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined).

The Bank's Common Equity Tier 1 capital consists of common stock and related paid-in capital, net of treasury stock (if any), and retained earnings. In connection with the adoption of the Basel III Capital Rules, the election was made to opt-out of the requirement to include most components of accumulated other comprehensive income in Common Equity Tier 1. Common Equity Tier 1 for the Bank is reduced by goodwill (if any) and other intangible assets (if any), net of associated deferred tax liabilities (if any) and subject to transition provisions.

Tier 1 capital includes Common Equity Tier 1 capital and additional Tier 1 capital as allowed by regulation. The Bank did not have any additional Tier 1 capital beyond Common Equity Tier 1 as of December 31, 2020. Total capital includes Tier 1 capital and Tier 2 capital. Tier 2 capital for the Bank includes a permissible portion of the allowance for loan losses.

The Common Equity Tier 1, Tier 1 and Total capital ratios are calculated by dividing the respective capital amounts by risk-weighted assets. Risk-weighted assets are calculated based on regulatory requirements and include total assets, excluding goodwill (if any) and other intangible assets (if any), allocated by risk weight category, and certain off-balance-sheet items, among other things. The leverage ratio is calculated by dividing Tier 1 capital by adjusted quarterly average total assets, which exclude goodwill (if any) and other intangible assets (if any), among other things.

The BASEL III capital rules require a capital conservation buffer of an additional 2.5% with respect to the ratio of each to risk-weighted assets, (i) Common Equity Tier 1 Capital, which raises the minimum ratio to 7.0%; (ii) Tier 1 Capital, which raises the minimum ratio to 8.5%; and (iii) Total Capital, which raises the minimum ratio to 10.5%. The minimum leverage ratio of Tier 1 Capital to average assets is 4.0%.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Financial institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

17. MINIMUM REGULATORY CAPITAL REQUIREMENTS OF THE BANK (continued)

The following table presents actual and required capital ratios as of December 31, 2020 and 2019 for the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of December 31, 2020 and 2019 of the Basel III Capital Rules and the minimum required capital levels with the Capital Conservation Buffer.

	Actual		Minimum Capital Required - For Capital Adequacy Purposes		Minimum Capital Required - With Capital Conservation Buffer		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
As of December 31, 2020								
Common Equity Tier 1 Capital Ratio (to Risk-Weighted Assets)	**$ 39,727,366**	**17.08%**	**$ 10,466,812**	**4.50%**	**$ 16,281,707**	**7.00%**	**$ 15,118,728**	**6.50%**
Tier 1 Capital Ratio (to Risk-Weighted Assets)	**$ 39,727,366**	**17.08%**	**$ 13,955,749**	**6.00%**	**$ 19,770,645**	**8.50%**	**$ 18,607,666**	**8.00%**
Total Capital Ratio (to Risk-Weighted Assets)	**$ 42,635,266**	**18.33%**	**$ 18,607,863**	**8.00%**	**$ 24,422,820**	**10.50%**	**$ 23,259,829**	**10.00%**
Tier 1 Leverage Ratio (to Average Assets)	**$ 39,727,366**	**8.22%**	**$ 19,332,052**	**4.00%**	**$ 19,332,052**	**4.00%**	**$ 24,165,064**	**5.00%**
As of December 31, 2019								
Common Equity Tier 1 Capital Ratio (to Risk-Weighted Assets)	$ 39,378,173	16.07%	$ 11,026,869	4.50%	$ 17,152,907	7.00%	$ 15,927,699	6.50%
Tier 1 Capital Ratio (to Risk-Weighted Assets)	$ 39,378,173	16.07%	$ 14,702,491	6.00%	$ 20,828,530	8.50%	$ 19,603,322	8.00%
Total Capital Ratio (to Risk-Weighted Assets)	$ 41,264,389	16.84%	$ 19,603,035	8.00%	$ 25,728,984	10.50%	$ 24,503,794	10.00%
Tier 1 Leverage Ratio (to Average Assets)	$ 39,378,173	9.27%	$ 16,991,660	4.00%	$ 16,991,660	4.00%	$ 21,239,576	5.00%

As of December 31, 2020, capital levels at the Bank exceed all capital adequacy requirements under the Basel III Capital Rules with the capital conversation buffer. Based on the ratios presented above, capital levels as of December 31, 2020 at the Bank exceed the minimum levels necessary to be considered "well capitalized."

The Bank is subject to the regulatory capital requirements administered by the federal banking agencies. Regulatory authorities can initiate certain mandatory actions if the Bank fails to meet the minimum capital requirements, which could have a direct material effect on the financial statements. Management believes, as of December 31, 2020, that the Bank meets all capital adequacy requirements to which it is subject.

<u>Dividend Restrictions</u>. In the ordinary course of business, Westex is dependent upon dividends from the Bank and Anco to provide funds for the payment of dividends to stockholders and to provide for other cash requirements. Banking regulations may limit the amount of dividends that may be paid.

18. FAIR VALUE DISCLOSURES

The authoritative guidance on fair value measurements 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.

The authoritative guidance on fair value measurements 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, the 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 assets or liabilities.

18. FAIR VALUE DISCLOSURES (continued)

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.

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.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities measured at fair value on a recurring and non-recurring basis include the following:

Available-for-Sale and Marketable Equity Securities – Securities classified as available-for-sale and marketable equity securities are reported at fair value utilizing Level 1 and 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, live trading levels, trade execution data, market consensus prepayments speeds, credit information and the bond's terms and conditions, among other things.

Impaired Loans – A loan may be considered impaired when it is determined that it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Once a loan is identified as individually impaired, management measures for impairment using the practical expedients permitted by applicable authoritative accounting guidance, at the fair value of the loans collateral, if the loan is collateral dependent. If a loan is determined to be collateral dependent, the fair value of the collateral is determined by independent appraisals or valuations adjusted for costs related to the liquidation of the collateral and are classified as Level 3.

18. FAIR VALUE DISCLOSURES (continued)

The following tables summarize financial assets and financial liabilities measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2020				
Available-for-sale securities				
Mortgage-backed securities	**$ -**	**$ 14,224,621**	**$ -**	**$ 14,224,621**
Collateralized mortgage obligations	**-**	**16,078,103**	**-**	**16,078,103**
State and municipal securities	**-**	**39,619,715**	**-**	**39,619,715**
Total	**$ -**	**$ 69,922,439**	**$ -**	**$ 69,922,439**
Marketable equity securities				
Marketable equity securities	**$ 25,157,462**	**$ -**	**$ -**	**$ 25,157,462**
December 31, 2019				
Available-for-sale securities				
Mortgage-backed securities	$ -	$ 18,652,876	$ -	$ 18,652,876
Collateralized mortgage obligations	-	21,066,403	-	21,066,403
State and municipal securities	-	43,079,836	-	43,079,836
Total	$ -	$ 82,799,115	$ -	$ 82,799,115
Marketable equity securities				
Marketable equity securities	$ 4,517,239	$ -	$ -	$ 4,517,239

Certain financial assets are measured at fair value on a non-recurring 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). As of December 31, 2020 and 2019, the Company did not have any financial assets that were measured at fair value on a non-recurring basis.

18. FAIR VALUE DISCLOSURES (continued)

Non-Financial Assets and Non-Financial Liabilities

Certain non-financial assets and non-financial liabilities measured at fair value on a non-recurring basis include the following:

Other Real Estate – Certain foreclosed properties, upon initial recognition and subsequent remeasurement were valued and reported at fair value through charge-offs to the allowance for loan losses and writedowns included in current period earnings. The fair value of such other real estate owned, upon initial recognition and subsequent remeasurement, is estimated utilizing Level 3 inputs. Fair values were based primarily on third party appraisals; however, based on the current economic conditions, comparative sales data typically used in the appraisals may be unavailable or more subjective due to the lack of real estate market activity. See Note 5, for the activity that occurred in Other Real Estate for the years ended December 31, 2020 and 2019.

The following table summarizes non-financial assets and non-financial liabilities measured at fair value on a recurring and non-recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2020				
Other real estate	**$ -**	**$ -**	**$ 376,000**	**$ 376,000**
December 31, 2019				
Other real estate	$ -	$ -	$ 399,245	$ 399,245

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

The majority of the Company's revenue from contracts with customers within the scope of ASC 606 is recognize4 within Non-Interest Income. The following table presents the Company's sources of Non-Interest Income for the years ended December 31, 2020 and 2019:

	2020	2019
Insurance commissions and fees	**$ 23,019,870**	$ 21,840,103
ATM and debit card fees	**1,258,045**	1,210,100
Earnings on cash surrender value life insurance	**240,373**	237,452
Service charges and fees	**1,053,571**	1,156,428
Gain on sale of other real estate owned	**6,140**	-
Gain on retirement of capital leases	**4,402**	-
Unrealized gain on marketable equity securities	**16,650,089**	652,667
Westex investment service revenues	**3,238,201**	3,006,567
Dividend income	**517,827**	203,402
Other operating income	**118,251**	12,689
Total non-interest income	**$ 46,106,769**	$ 28,319,408

* - Not within the scope of ASC 606

A description of the Company's revenue streams accounted for under ASC 606 follows:

Insurance Commissions and Fees – The Company earns commissions paid by insurance carriers for the binding of insurance coverage. Commissions are earned at a point in time upon the effective date of bound insurance coverage, as no performance obligation exists after coverage is bound. Commission rates and fees vary in amount and can depend upon a number of factors, including the type of insurance coverage provided, the particular insurer selected, and the capacity in which the broker acts and negotiates with clients.

Health brokerage and consulting services typically include a variety of services such as data management, calculations, reporting, fulfillment/communications, compliance, call center support and annual onboarding and enrollment support. While there are a variety of activities performed, the overall nature of the obligation is to provide an integrated outsourcing solution to the client. The arrangement represents a stand-ready obligation to perform these activities on an as-needed basis. The client obtains value from each period of service, and each time increment, i.e., each month, or each benefits cycle, is distinct and substantially the same. Accordingly, the ongoing administration services represent a 'series' in accordance with ASC 606 and are deemed one performance obligation. Revenue for these services is recognized over time based on the amount of remuneration the Company expects to be entitled in exchange for these services.

19. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Profit Sharing Contingent Commissions – The Company must estimate the amount of consideration that will be received in the coming year such that a significant reversal of revenue is not probable. Profit-sharing contingent commissions represent a form of variable consideration associated with the placement of coverage, for which Anco earns commissions and fees. In connection with ASC 606, profit-sharing contingent commissions are estimated with a constraint applied and accrued relative to the recognition of the corresponding core commissions. The resulting effect on the timing of recognizing profit-sharing contingent commissions will now more closely follow a similar pattern as the commissions and fees with any true-ups recognized when payments are received or as additional information that affects the estimate becomes available.

ATM and Debit Card Fees – The Company earns interchange fees from debit and credit cardholder transactions conducted through the Plus and Pulse payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The Company earns fees from the use of the Bank's ATM's by non-customers and from replacement card fees. Additionally, the category includes credit card income which is related to transaction based fees earned by the Company to process the credit card transactions at a customer's business, charged on a monthly basis.

Service Charges and Fees – The Company earns fees from its deposit and non-deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as, stop payment charges, statement rendering, NSF, returned check charges, cashier's checks, traveler's checks, money orders, wire transfers, check cashing, safe deposit boxes, and check orders 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 relate 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 monthly or quarterly.

Westex Investment Service Revenues – The Company earns revenues from Wealth Management services and brokerage/transaction fees. Wealth management accounts generate revenue each quarter based on the growth in assets under management that are in each account. Wealth management services are recognized on a quarterly basis in the quarter they are earned. Revenues earned from brokerage/transaction fees are earned when purchases and sales are executed for the customer accounts. Brokerage/transaction fees are recognized on a monthly basis in the month the fee is earned.

Dividend Income – These are dividends received from the non-subsidiary investments and Federal Home Loan Bank stock and recognized when earned.

19. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Other – This category includes immaterial balances that are recognized as point in time transactions.

Included in interest income were **$708,655** and $406,449 of loan origination fees for the years ended December 31, 2020 and 2019, respectively, which falls within the scope of ASC 606. Loan origination fees are recognized as income and loan origination costs are expensed as incurred, as management has determined that capitalization of these items would be immaterial to the consolidated financial statements.

Costs to Obtain and Fulfill a Contract – The Company has elected the practical expedient in ASC 606 to recognize incremental costs to obtain a contract (primarily commissions) as an expense when incurred since the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Contract Balances – The Company records accounts receivable when the right to consideration is unconditional, subject only to the passage of time. Contract assets relate to contingent insurer revenue called "Profit-Sharing Contingency Commissions Receivable" totaled **$250,000** as of December 31, 2020 and 2019 which are included in other assets. Estimated contingent insurer revenue relates to achievement of volume or loss ratio metrics that cannot be billed or collected until all related policy placements are completed and the contingency is resolved. Contract liabilities primarily relate to the advance consideration from customers. Contract liabilities totaled **$336,790** and $205,978 as of December 31, 2020 and 2019, respectively and are included in other liabilities.

20. COVID-19

In 2020, the World Health Organization declared the spread of Coronavirus Diseases ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Company, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional loan charge-offs, deferred loan payments, costs for emergency preparedness, or potential shortage of personnel. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still occurring.

21. SUBSEQUENT EVENTS

In February of 2021, the entire State of Texas was impacted by a severe winter storm that has impacted many homes, businesses and municipalities. The extent of damage across the State has not yet been determined nor its impact, if any, to the Company.

21. SUBSEQUENT EVENTS (continued)

The Company has performed a review of subsequent events through the date of the opinion, which is the date the financial statements were available for issuance, and concludes there were no other events or transactions occurring during this period that required recognition or disclosure in the financial statements except as noted above. Any events occurring after this date have not been factored into the financial statements being presented.

22. RECENTLY ISSUED AUTHORITATIVE GUIDANCE

During 2020, the FASB granted and management adopted implementation deferrals for the lease accounting standard and the credit losses on financial instruments standard. The updated implementation dates are noted below.

ASU 2016-02, "Leases (Topic 842)." In February 2016, the FASB amended existing guidance that requires lessees recognize the following for all leases (with the exception of short term leases) at the commencement date (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary; lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The amendments will be effective for financial statements issued for fiscal years beginning after December 15, 2021. This guidance is not expected to have a significant impact on the Company's consolidated financial statements.

ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." In June 2016, FASB issued guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss ("CECL") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to maturity debt securities, and reinsurance receivables. It also applies to off balance sheet credit exposures not accounted for as insurance and net investments in leases recognized by a lessor. The amendments will be effective for fiscal years beginning after December 15, 2022 and are expected to have a significant impact on the Company's consolidated financial statements.

ASU 2019-12, Income Taxes (Topic 740). The FASB amended the standard to simplify the accounting for income taxes without compromising information provided to users of financial statements. The amendments will be effective for financial statements issued for fiscal years beginning after December 15, 2021. This guidance is not expected to have a significant impact on the Company's consolidated financial statements.

22. RECENTLY ISSUED AUTHORITATIVE GUIDANCE (continued)

ASU 2020-10, Codification Improvements. The FASB amendments improve consistency by amending the Codification to include all disclosure guidance in the appropriate disclosure sections and clarifies application of various provisions in the Codification by amending and adding new headings, cross referencing to other guidance, and refining or correcting terminology. The amendments will be effective for financial statements issued for fiscal years beginning after December 15, 2021. This guidance is not expected to have a significant impact on the Company's consolidated financial statements.

SUPPLEMENTARY INFORMATION

WESTEX BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

December 31, 2020

	Westex Bancorp, Inc.	Anco Insurance Managers, Inc.	Bank & Trust, SSB	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ 9,910,789	$ 8,631,310	$ 6,891,686	$ (2,478,097)	**$ 22,955,688**
Interest bearing deposits in other banks	-	-	100,165,681	-	**100,165,681**
Total cash and cash equivalents	9,910,789	8,631,310	107,057,367	(2,478,097)	**123,121,369**
Securities available-for-sale, at estimated market value	-	-	69,922,439	-	**69,922,439**
Marketable equity securities, at estimated market value	25,157,462	-	-	-	**25,157,462**
Loans, net of allowance for loan losses	-	-	289,709,191	(534,113)	**289,175,078**
Accounts receivable, net of allowance for doubtful accounts	-	3,808,530	-	-	**3,808,530**
Accrued interest receivable	-	-	1,810,398	-	**1,810,398**
Other real estate owned	-	376,000	-	-	**376,000**
Premises and equipment, net	19,120	3,147,820	8,451,206	-	**11,618,146**
Restricted stock	-	-	3,396,700	-	**3,396,700**
Cash surrender value of life insurance	4,105	-	9,339,306	-	**9,343,411**
Goodwill	3,476,373	-	2,472,671	-	**5,949,044**
Other assets	388,677	439,895	561,219	-	**1,389,791**
Investment in subsidiary - Anco	5,764,509	-	-	(5,764,509)	**-**
Investment in subsidiary - Bank & Trust	45,110,563	-	-	(45,110,563)	**-**
Inter-company receivables	-	-	191,925	(191,925)	**-**
Total assets	$ 89,831,598	$ 16,403,555	$ 492,912,422	$ (54,079,207)	**$ 545,068,368**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Non-interest bearing	$ -	$ -	$ 150,353,749	$ (2,478,097)	**$ 147,875,652**
Interest bearing	-	-	280,705,108	-	**280,705,108**
Total deposits	-	-	431,058,857	(2,478,097)	**428,580,760**
Accounts payable and accrued liabilities	-	5,428,818	-	-	**5,428,818**
Accrued interest payable	-	3,397	192,416	-	**195,813**
Dividends payable	695,560	-	-	-	**695,560**
Capital lease obligations	-	349,329	-	-	**349,329**
Paycheck Protection Program Loan	-	1,827,200	-	-	**1,827,200**
Borrowings, net of loan fees	-	1,669,074	-	(534,113)	**1,134,961**
Advances from Federal Home Loan Bank	-	-	15,000,000	-	**15,000,000**
Other liabilities	21,053	1,361,228	1,550,586	-	**2,932,867**
Inter-company payables	191,925	-	-	(191,925)	**-**
Total liabilities	908,538	10,639,046	447,801,859	(3,204,135)	**456,145,308**
Stockholders' Equity					
Common stock	80,790	199,223	2,990,000	(3,189,223)	**80,790**
Subscription receivable	(15,868)	-	-	-	**(15,868)**
Surplus	-	-	19,010,000	(19,010,000)	**-**
Treasury stock	(1,550,394)	-	-	-	**(1,550,394)**
Retained earnings	87,498,006	5,565,286	20,200,037	(25,765,323)	**87,498,006**
Accumulated other comprehensive income	2,910,526	-	2,910,526	(2,910,526)	**2,910,526**
Total stockholders' equity	88,923,060	5,764,509	45,110,563	(50,875,072)	**88,923,060**
Total liabilities and stockholders' equity	$ 89,831,598	$ 16,403,555	$ 492,912,422	$ (54,079,207)	**$ 545,068,368**

See Report of Independent Auditors.

WESTEX BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2020

	Westex Bancorp, Inc.	Anco Insurance Managers, Inc.	Bank & Trust, SSB	Eliminations	Consolidated
INTEREST INCOME					
Loans, including fees	$ 669	$ -	$ 14,560,282	$ (52,940)	**$ 14,508,011**
Investment securities:					
Taxable	-	-	656,496	-	**656,496**
Non-taxable	-	-	1,053,821	-	**1,053,821**
Interest on deposits in banks	3,448	-	102,077	-	**105,525**
Other interest income	-	15,723	-	-	**15,723**
Total interest income	4,117	15,723	16,372,676	(52,940)	**16,339,576**
INTEREST EXPENSE					
Deposits	-	-	1,033,148	-	**1,033,148**
Borrowings	-	113,189	273,177	(52,940)	**333,426**
Total interest expense	-	113,189	1,306,325	(52,940)	**1,366,574**
NET INTEREST INCOME	4,117	(97,466)	15,066,351	-	**14,973,002**
PROVISION FOR LOAN LOSSES	-	-	1,481,617	-	**1,481,617**
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,117	(97,466)	13,584,734	-	**13,491,385**
NON-INTEREST INCOME					
Insurance commissions and fees	-	22,824,254	195,616	-	**23,019,870**
ATM and debit card fees	-	-	1,258,045	-	**1,258,045**
Earnings on cash surrender value life insurance	-	-	240,373	-	**240,373**
Service charges and fees	-	-	1,053,571	-	**1,053,571**
Gain on sale of other real estate owned	-	-	6,140	-	**6,140**
Gain on retirement of capital leases	-	4,402	-	-	**4,402**
Unrealized gain on marketable equity securities	16,650,089	-	-	-	**16,650,089**
Westex investment service revenues	-	-	3,238,201	-	**3,238,201**
Dividend income	446,041	-	71,786	-	**517,827**
Other operating income	100,011	-	18,240	-	**118,251**
Dividend income - subsidiaries	6,904,522	-	-	(6,904,522)	**-**
Net earnings of subsidiary - Anco	744,924	-	-	(744,924)	**-**
Net earnings of subsidiary - Bank & Trust	935,131	-	-	(935,131)	**-**
Total non-interest income	25,780,718	22,828,656	6,081,972	(8,584,577)	**46,106,769**
NON-INTEREST EXPENSE					
Loss on sale of marketable equity securities	1,351	-	-	-	**1,351**
Salaries and employee benefits	363,729	13,428,242	9,013,619	-	**22,805,590**
Commissions paid to others	-	2,287,362	-	-	**2,287,362**
ATM and debit card expenses	-	-	443,666	-	**443,666**
Occupancy and equipment	28,676	1,009,503	2,133,473	-	**3,171,652**
Legal and professional fees	33,311	90,169	395,037	-	**518,517**
Director fees	96,000	-	299,500	-	**395,500**
Mail, printing and office supplies	270.00	234,508	280,801	-	**515,579**
Marketing and advertising	112,414	239,707	481,829	-	**833,950**
Regulatory assessments	-	-	43,104	-	**43,104**
Information technology and telephone	1,876	178,810	1,229,099	-	**1,409,785**
Other operating expenses	174,060	1,536,793	452,007	-	**2,162,860**
Total non-interest expense	811,687	19,005,094	14,772,135	-	**34,588,916**
INCOME BEFORE INCOME TAXES	24,973,148	3,726,096	4,894,571	(8,584,577)	**25,009,238**
INCOME TAXES	-	20,248	15,842	-	**36,090**
NET INCOME	$ 24,973,148	$ 3,705,848	$ 4,878,729	$ (8,584,577)	**$ 24,973,148**

See Report of Independent Auditors.

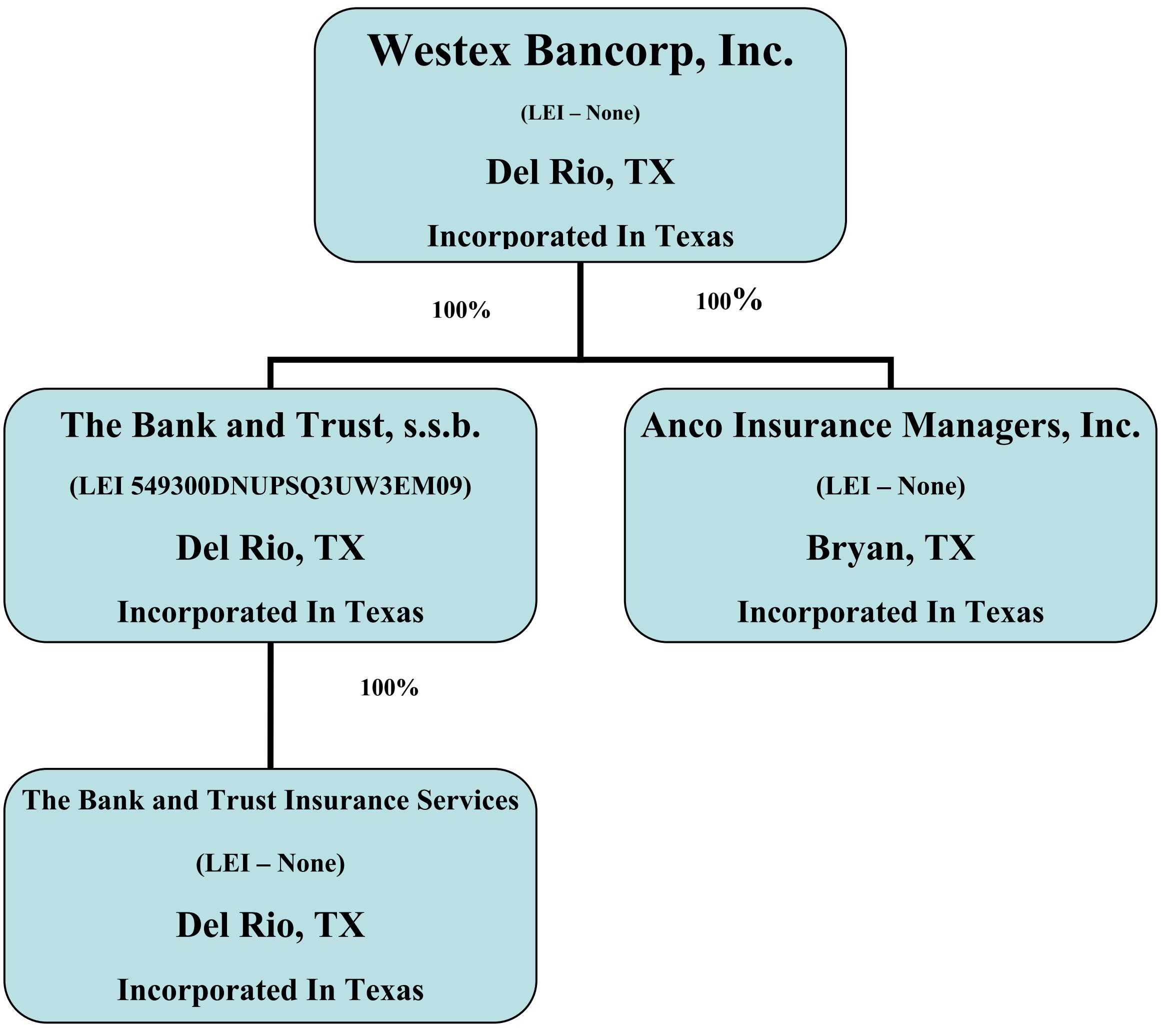
Form FR Y-6

Westex Bancorp, Inc.
Del Rio, Texas
Fiscal Year Ending December 31, 2020

Report Item

1: The savings and loan holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the responsible Federal Reserve Bank, 1 copy is attached.

2a: Organization Chart



Results: A list of branches for your holding company: WESTEX BANCORP, INC. (1105014) of DEL RIO, 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)	623454	BANK AND TRUST, SSB, THE	1200 VETERANS BOULEVARD	DEL RIO	TX	78840-3972	VAL VERDE	UNITED STATES	Not Required	Not Required	BANK AND TRUST, SSB, THE	623454	
OK		Full Service	296054	BRACKETTVILLE BRANCH	102 NORTH STREET	BRACKETTVILLE	TX	78832	KINNEY	UNITED STATES	Not Required	Not Required	BANK AND TRUST, SSB, THE	623454	
OK		Full Service	3601378	BEDELL AVENUE BRANCH	2399 BEDELL AVENUE	DEL RIO	TX	78840	VAL VERDE	UNITED STATES	Not Required	Not Required	BANK AND TRUST, SSB, THE	623454	
OK		Full Service	3335516	SAN ANGELO BRANCH	1460 KNICKERBOCKER ROAD	SAN ANGELO	TX	76904	TOM GREEN	UNITED STATES	Not Required	Not Required	BANK AND TRUST, SSB, THE	623454	
OK		Full Service	263467	SONORA BRANCH	229 HIGHWAY 277 NORTH	SONORA	TX	76950	SUTTON	UNITED STATES	Not Required	Not Required	BANK AND TRUST, SSB, THE	623454	

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Westex Bancorp, Inc.
Del Rio, Texas
Fiscal Year Ending December 31, 2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2020		
(1)(a)	(1)(b)	(1)(c)	(2)(a)	(2)(b)	(2)(c)
Name & Address (City, State, Country)	Country of Citizenship or Incorporation	Number and Percentage of Each Class of Voting Securities	Name & Address (City, State, Country)	Country of Citizenship or Incorporation	Number and Percentage of Each Class of Voting Securities
Cauthorn Family - 24.04% Common Stock					
S W Cauthorn Del Rio, TX	USA	4,432 - 2.74% Common Stock			
Kay Cauthorn Del Rio, TX	USA	4,432 - 2.74% Common Stock			
Robert Sidney Cauthorn Del Rio, TX	USA	17,798 - 11.02% Common Stock			
Kim Cauthorn Del Rio, TX	USA	580 - 0.36% Common Stock			
Robert Abb Cauthorn Del Rio, TX	USA	112 - 0.07% Common Stock			
Hattie Kay Cauthorn Del Rio, TX	USA	112 - 0.07% Common Stock			
William Mills Cauthorn Del Rio, TX	USA	112 - 0.07% Common Stock			
James Guy Cauthorn Austin, TX	USA	12,780 - 7.91% Common Stock			
Ed H Esquivel Dallas, TX	USA	698 - 0.43% Common Stock			
Alice Esquivel	USA	1,620 - 1.00% Common			

Dallas, TX		Stock
Drew Cauthorn San Antonio, TX	USA	600 - 0.37% Common Stock
Elder Family - 10.64% Common Stock		
Joe D Elder Uvalde, TX	USA	1,000 - 0.62% Common Stock
Dana Elder Moore Llano, TX	USA	100 - 0.06% Common Stock
Letty R Elder San Antonio, TX	USA	16,100 - 9.96% Common Stock
Moore Family - 13.62% Common Stock		
Deborah Ann Flores Kerrville, TX	USA	5,322 - 3.29% Common Stock - Personal 2,838 - 1.76% Common Stock - Trust ***
Joanie V Sorensen-Weeks Boerne, TX	USA	5,322 - 3.29% Common Stock - Personal 2,838 - 1.76% Common Stock - Trust ***
Westex 2012 Trust, Deborah Ann Flores and Joanie Virginia Sorensen Weeks, Co-Trustees	USA	5,678 - 1.76% Common Stock - Co-Trustee Deborah Ann Flores 1.76% Common Stock - Co- Trustee Joanie Virginia Sorensen-Weeks ***
Kerrville, TX		
Altizer Family - 9.13% Common Stock		
Minnie Altizer Del Rio, TX	USA	6,602 - 4.09% Common Stock

Jim Bob Altizer Family Trust, Sherry Altizer Ingham and Susan B Newsome, Co-Trustees Del Rio, TX	USA	3,362 - 2.08% Common Stock
Sherry Altizer Ingham Sonora, TX	USA	680 - 0.42% Common Stock
Jim Bob Special Marital Trust, Sherry Altizer Ingham and Susan B Newsome, Co-Trustees Sonora, TX	USA	3,658 - 2.26% Common Stock
Olin Smith Sonora, TX	USA	176 - 0.11% Common Stock
Steely Ingham Sonora, TX	USA	140 - 0.09% Common Stock
Stella Ingham Sonora, TX	USA	140 - 0.09% Common Stock

*** Jointly sharing Westex 2012 Trust and each have 1.76% voting power

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Westex Bancorp, Inc.
Del Rio, Texas
Fiscal Year Ending December 31, 2020

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & 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 Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities 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)
Robert Sidney Cauthorn Del Rio, TX	Banker	Director & President	CEO & Director - The Bank & Trust, Director - Anco Insurance Managers	Director - First Financial Bank, N.A. BCS	11.02%	None	N/A
Kim Cauthorn Del Rio, TX	Homemaker	Principal Securities Holder	None	None	0.36%	None	N/A
Robert Abb Cauthorn Del Rio, TX	Financial Advisor	Principal Securities Holder	None	None	0.07%	None	N/A
Hattie Kay Cauthorn Del Rio, TX	Student	Principal Securities Holder	None	None	0.07%	None	N/A
William Mills Cauthorn Del Rio, TX	Student	Principal Securities Holder	None	None	0.07%	None	N/A
James Guy Cauthorn Austin, TX	Insurance Agent	Principal Securities Holder	Director - Anco Insurance Managers	None	7.91%	None	N/A
Ed H Equivel Dallas, TX	Retired Attorney	Principal Securities Holder	None	None	0.43%	None	N/A

Alice Esquivel Dallas, TX	Homemaker	Principal Securities Holder	None	None	1.00%	None	N/A
Drew Cauthorn San Antonio, TX	Retired Attorney	Principal Securities Holder	Director - Anco Insurance Managers	None	0.37%	None	N/A
S W Cauthorn Del Rio, TX	Retired Banker	Director	Director - Anco Insurance Managers	None	2.74%	None	N/A
Kay Cauthorn Del Rio, TX	Homemaker	Principal Securities Holder	None	None	2.74%	None	N/A
Letty R Elder San Antonio, TX	Homemaker	Director	None	None	9.96%	None	N/A
Joe D Elder Uvalde, TX	Elderado Supplies and Services	Principal Securities Holder	None	None	0.62%	None	N/A
Dana Elder Moore Llano, TX	Homemaker	Principal Securities Holder	None	None	0.06%	None	N/A
Jerry E Simpton Del Rio, TX	Chairman of the Board	Director	Director - The Bank & Trust	None	1.46%	None	N/A
T J Moore Kerrville, TX	Retired - T J Moore Lumber Yard Owner	Director	None	None	None	None	N/A
Deborah Ann Flores Kerrville, TX	Homemaker	Principal Securities Holder	None	None	6.81%	None	N/A
Joanie V Sorensen-Weeks Boerne, TX	Homemaker	Principal Securities Holder	None	None	6.81%	None	N/A
Jay Taylor Del Rio, TX	Rancher	Director	Director - The Bank and Trust	N/A	3%	None	N/A
David Wallace Del Rio, TX	Attorney	Director	Director - The Bank and Trust	N/A	2%	None	N/A