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, Kim D. Wheless
Name of the Holding Company Director and Official

Director, President and CEO
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.

Kim Wheless
Signature of Holding Company Director and Official

3/31/21
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
- ☒ 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

549300N48082XGJQJ37
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Central Bancshares, Inc.
Legal Title of Holding Company

P.O. Box 801263
(Mailing Address of the Holding Company) Street / P.O. Box

Houston	TX	77280
City	State	Zip Code

11201 Clay Rd. Houston, TX 77041
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Mark Bower	EVP, CFO and Secretary
Name	Title

832-485-2306
Area Code / Phone Number / Extension

832-485-2406
Area Code / FAX Number

mbower@cbhou.com
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."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

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

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

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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)

Results: A list of branches for your depository institution: CENTRAL BANK (ID_RSSD: 31255).
This depository institution is held by CENTRAL BANCSHARES, INC. (1106468) of HOUSTON, 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	12/31/2020	Full Service (Head Office)	31255	CENTRAL BANK	11201 CLAY ROAD	HOUSTON	TX	77041-5578	HARRIS	UNITED STATES	Not Required	Not Required	CENTRAL BANK	31255	
OK	12/31/2020	Full Service	2579760	HEIGHTS BRANCH	1550 WEST 18TH STREET	HOUSTON	TX	77008	HARRIS	UNITED STATES	Not Required	Not Required	CENTRAL BANK	31255	
OK	12/31/2020	Full Service	1391460	MIDTOWN BRANCH	2217 MILAM STREET	HOUSTON	TX	77002	HARRIS	UNITED STATES	Not Required	Not Required	CENTRAL BANK	31255	
OK	12/31/2020	Full Service	3852796	POST OAK PLACE BRANCH	4605 POST OAK PLACE	HOUSTON	TX	77027	HARRIS	UNITED STATES	Not Required	Not Required	CENTRAL BANK	31255	

FORM FR Y-6
CENTRAL BANCSHARES, INC.
HOUSTON, TEXAS
FISCAL YEAR ENDING DECEMBER 31, 2020

Report Item:

1. The BHC does prepare an annual report for its shareholders. Enclosed is a copy of the Annual Report.
2. Organizational Chart – attached.
3. 5% Shareholders of Central Bancshares, Inc. – attached.
4. Insiders of Central Bancshares, Inc. – attached.

FORM FR Y-6

December 31, 2020
Report Item 3: Securities Holders (Central Bancshares, Inc.)
(1) (a), (b), (c) and (2)(a)(b)(c)

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of 12/31/20.

(1) (a) Name and Address City and State	(2)(b) Country of citizenship or Incorporation	(1)(c) Number and percent of each Class of Voting Securities
Carolyn J. Young, Separate Property Houston, TX	USA	1221 – 27.95% Common Stock
*Edward E. Hartline Houston, TX	USA	1222 – 27.98% Common Stock
John H. Young Houston, TX	USA	322 – 7.37% Common Stock
Mark van Overbeek Nancy van Overbeek Plantation, FL	USA	220 – 5.04% Common Stock
John R. Young Houston, TX	USA	158 – 3.62% Common Stock
Elizabeth Young Houston, TX	USA	25 – 0.57% Common Stock
Kathleen Zinn & Jeffrey Zinn Houston, TX	USA	22 – 0.50% Common Stock

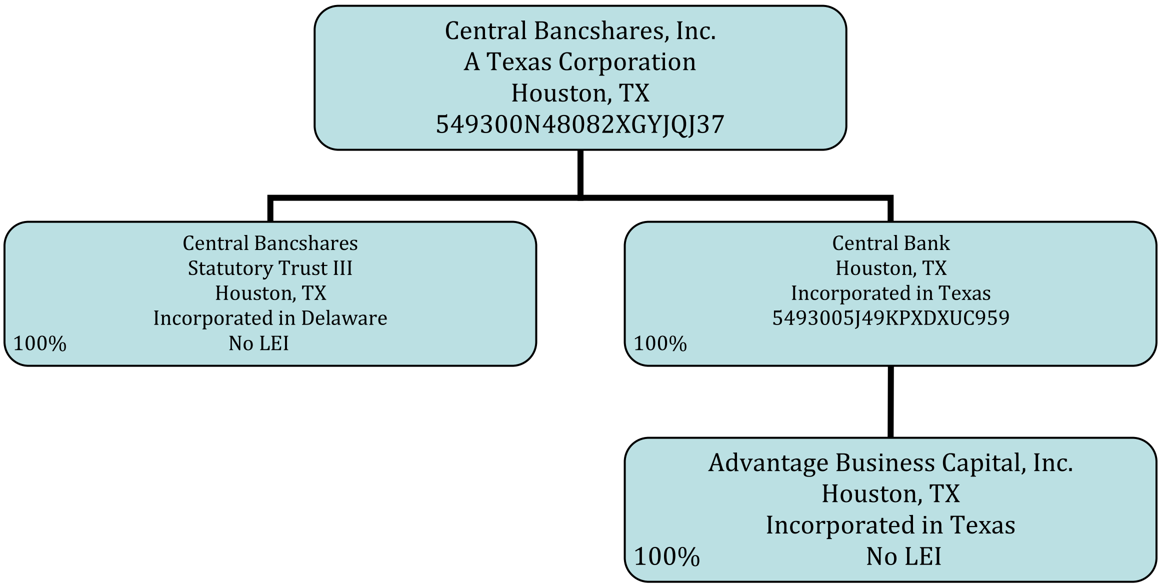
*Trustee for Carolyn J. Young, 2012 Trust

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.

(2) (a) Name and Address City and State	(2)(b) Country of citizenship or Incorporation	(2)(c) Number and percent of each Class of Voting Securities
None		

Report Item 2: Organizational Chart

ORGANIZATIONAL CHART – 12/31/2020



Report 4: Insiders
Central Bancshares, Inc.

FORM FR Y-6
December 31, 2020

1) Name & Address (City, State & Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries	(3)(c) Title & Position with Business	(4)(a) % of Voting Shares in Bank Holding Company	(4)(b) % of Voting Shares in Subsidiaries	(4)(c) List names of other companies (including partnerships) if 25% or more of securities are held
Carolyn J. Young Separate Property Houston, TX USA	N/A	Principal Securities Shareholder	N/A	N/A	27.95%	N/A	Joy Resources, Inc. - 100%
John H. Young Houston, TX, USA	N/A	Director & Chairman	Director Central Bank	President, John H. Young, Inc.	7.37%	N/A	John H. Young Inc-100% Jefferson Pipeline Co-100% Jefferson Transmission Co 100% 4605 POP, Ltd – 59.318%
John R. Young Houston, TX, USA	Portfolio Manager	Director	Director Central Bank	Sr. Portfolio Mgr. & Principal Orchard Global Asset Mgmt.	3.62%	N/A	N/A
Elizabeth Young Atlanta, GA USA	N/A	Director	Director Central Bank	N/A	0.57%	N/A	N/A
Kathleen Zinn (Joint with spouse, Jeffrey Zinn Houston, TX USA	N/A	Director	N/A	N/A	0.50%	N/A	N/A
Total of Family					**40.01%**		
*Carolyn J. Young, 2012 Trust Edward E. Hartline Trustee Houston, TX USA	N/A	Principal Securities Shareholder	N/A	N/A	27.98%	N/A	N/A
Kim D. Wheless Houston, TX, USA	N/A	Director, President & CEO	Director, Administrator of Trust III	N/A	1.08%	N/A	N/A
Robert D. Mrlik	N/A	Director, Sr. EVP	Director, Central Bank	N/A	0.92%	N/A	N/A
Mark Bower Houston, TX, USA	N/A	EVP, CFO, Secretary	Advisory Director, EVP, CFO & Secretary-Central Bank and Administrator	N/A	0.18%	N/A	N/A

			of Trust III				
Michael Fiuzat Houston, TX USA	N/A	Director	Director, Chairman of Central Bank	CEO Black Falcon Energy, LLC	1.17%	N/A	N/A
Harry Burrow Houston, TX USA	N/A	Director	Director Central Bank	N/A	0.64%	N/A	N/A
Total					**31.97%**		
Grand Total					**71.98%**		

***Trustee for Carolyn J. Young, 2012 Trust**

CENTRAL BANCSHARES, INC.

INDEPENDENT AUDITORS' REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

C O N T E N T S

Briggs & Veselka Co.
A LIMITED LIABILITY PARTNERSHIP
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Central Bancshares, Inc. and Subsidiaries
Houston, Texas

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 financial statements.

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

To the Audit Committee of
Central Bancshares
Re: Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Bancshares, 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 accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information – Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information in Schedule I of computation of adjusted net worth is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of Inspector General, and is not a required part of the consolidated financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of the entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

March 25, 2021

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

ASSETS	2020	2019
Cash and cash equivalents	$ 22,892,049	$ 36,413,424
Securities available-for-sale	153,054,838	112,063,007
Other investments	433,542	695,360
Other bank stock	2,865,000	2,865,000
Loans, net	576,855,447	546,687,428
Factored receivables, net	42,549,722	53,545,675
Premises and equipment, net	7,063,795	7,451,926
Bank-owned life insurance	11,583,415	11,334,940
Accrued interest and fees receivable	3,588,409	3,071,512
Goodwill, net	1,877,079	2,052,079
Investment in subsidiary trust	171,721	171,831
Prepaid expenses	1,080,309	965,242
Other assets	234,388	56,553
Total Assets	$ 824,249,714	$ 777,373,977
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing deposits	$ 294,639,878	$ 272,337,703
Interest-bearing deposits and savings deposits	263,852,603	226,254,031
Time deposits	164,623,602	187,771,195
Total Deposits	723,116,083	686,362,929
Subordinated debentures	17,112,925	17,063,671
Junior subordinated debentures	5,671,000	5,671,000
Accrued deferred compensation liabilities	7,950,153	7,689,944
Accrued reserves on factored receivables	1,444,484	1,302,691
Accrued interest payable	138,612	270,818
Other liabilities	4,284,112	2,055,708
Total Liabilities	759,717,369	720,416,761
Shareholders' Equity:		
Common stock	4,694	4,694
Capital surplus	4,518,304	4,518,304
Treasury stock, at cost	(2,599,850)	(2,599,850)
Retained earnings	57,692,429	53,264,735
Accumulated other comprehensive income	4,916,768	1,769,333
Total Shareholders' Equity	64,532,345	56,957,216
Total Liabilities and Shareholders' Equity	$ 824,249,714	$ 777,373,977

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

CENTRAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 20120 AND 2019

	2020	2019
INTEREST INCOME:		
Interest and fees on loans	$ 28,700,945	$ 29,746,457
Interest and fees on factored receivables	10,069,649	13,530,143
Securities available for sale	2,715,685	2,559,460
Other bank stock and other investments	96,678	304,194
Total Interest Income	41,582,957	46,140,254
INTEREST EXPENSE:		
Interest-bearing demand and savings deposits	1,043,934	2,314,723
Time deposits	2,709,062	4,382,488
Subordinated debentures	1,051,788	554,445
Junior subordinated debentures	142,282	241,176
Federal Home Loan Bank advances	5,662	50,447
Other borrowed funds	5,562	241,745
Total Interest Expense	4,958,290	7,785,024
NET INTEREST INCOME	36,624,667	38,355,230
PROVISION FOR CREDIT LOSSES	800,000	1,100,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	35,824,667	37,255,230
NONINTEREST INCOME:		
Service charges	437,916	504,721
Increase in cash surrender value of bank-owned life insurance	248,475	291,157
Net gain/(loss) on sale of securities and other investments	781,053	(14,349)
Net gain/(loss) on sale of fixed assets	6,962	(1,041)
Mortgage loan other income	898,175	256,649
Other income	722,559	904,403
Total Noninterest Income	3,095,140	1,941,540
NONINTEREST EXPENSES:		
Salaries and employee benefits	20,391,347	21,463,268
Data processing expense	2,776,688	2,749,991
Depreciation and amortization	860,468	906,905
Occupancy expense	1,414,825	1,420,681
Directors and professional services fees	1,148,481	1,141,767
Equipment expense	197,484	212,073
Regulatory fees	347,671	289,001
Advertising, marketing and business development	446,274	525,200
Office expense	205,130	256,171
Other expenses	1,630,619	1,668,081
Total Noninterest Expenses	29,418,987	30,633,138
NET INCOME	$ 9,500,820	$ 8,563,632

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

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

	2020	2019
Net Income	$ 9,500,820	$ 8,563,632
Other Comprehensive Income		
Securities available for sale:		
Unrealized gains on securities available for sale	2,366,382	3,427,115
Less: reclassification adjustment for realized net gains (losses) included in net income (loss)	781,053	(14,349)
Total Other Comprehensive Income	3,147,435	3,412,766
Total Comprehensive Income	$ 12,648,255	$ 11,976,398

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

CENTRAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock	Capital Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2018	$ 4,694	$ 4,518,304	$ (2,599,850)	$ 48,500,677	$ (1,643,433)	$ 48,780,392
Distributions to shareholders, $870 per Share				(3,799,574)		(3,799,574)
Net income	-	-	-	8,563,632	-	8,563,632
Other comprehensive income	-	-	-	-	3,412,766	3,412,766
Balance, December 31, 2019	4,694	4,518,304	(2,599,850)	53,264,735	1,769,333	56,957,216
Distributions to shareholders, $1,161 per Share	-	-	-	(5,073,126)	-	(5,073,126)
Net income	-	-	-	9,500,820	-	9,500,820
Other comprehensive income	-	-	-	-	3,147,435	3,147,435
Balance, December 31, 2020	$ 4,694	$ 4,518,304	$ (2,599,850)	$ 57,692,429	$ 4,916,768	$ 64,532,345

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

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,500,820	$ 8,563,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	860,468	906,905
Provision for credit losses	800,000	1,100,000
Amortization on securities, net	1,158,162	763,723
Net gains on sales of securities, loans and other assets	781,053	(14,349)
Increase in cash surrender value of bank owned life insurance, net	(248,475)	(291,157)
Change in operating assets and liabilities:		
Accrued interest and fees receivables and other assets	(313,429)	122,550
Prepaid expenses	115,067	(140,296)
Accrued deferred compensation liabilities	260,209	1,273,700
Accrued reserves on factored loans	141,793	(1,297,412)
Accrued interest payables and other liabilities	1,709,126	(286,127)
Total adjustments	5,263,974	2,137,537
Net cash from operating activities	14,764,794	10,701,169
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities available for sale	15,871,412	1,517,613
Proceeds from maturities and paydowns of securities available for sale	342,920,472	313,819,725
Purchase of securities available for sale	(398,575,496)	(329,230,300)
Write up of other investments	261,818	304,640
Redemption of other bank stock	-	(75,000)
Net increase in loans	(9,036,172)	(13,091,726)
Purchase of mortgage loans	(21,931,847)	(16,322,459)
Net decrease in factored receivables	10,995,953	3,521,078
Purchases of premises and equipment	(505,981)	(279,000)
Proceeds from sales of equipment and other assets	33,644	29,376
Net cash from investing activities	(59,966,197)	(39,806,053)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in noninterest-bearing demand deposits	22,302,175	56,591,045
Net change in interest-bearing demand and savings deposits	37,598,572	(9,787,477)
Net change in time deposits	(23,147,593)	(48,471,430)
Net proceeds from notes payable	-	9,134,687
Distributions to shareholders	(5,073,126)	(3,799,574)
Net cash from financing activities	31,680,028	3,667,251
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,521,375)	(25,437,633)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,413,424	61,851,057
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 22,892,049	$ 36,413,424

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Central Bancshares, Inc. (the Company), through its wholly owned subsidiary Central Bank (the Bank), provides a broad line of financial products and services to small and medium sized businesses, municipalities, and consumers through its four banking offices in Harris County, Texas. The Bank's primary source of revenue is from investing funds received from depositors and from providing loans and other banking services to its customers.

The Bank, through its wholly owned subsidiary Advantage Business Capital, Inc. (Advantage) offers accounts receivable factoring services to businesses primarily in Houston and within the state of Texas. As of December 31, 2020, Advantage had 38 of 311 total clients headquartered outside the state of Texas, which represents 17.31% of their outstanding receivable balance as of that date.

Regulatory Oversight - The Bank operates under a state charter and is a member of the Federal Reserve Bank, and therefore is subject to regulation by the Texas Department of Banking and the Federal Reserve Board. The Company is subject to regulation by the Federal Reserve Board.

Basis of Presentation - The accompanying consolidated financial statements include the accounts of the Company, the Bank, and Advantage. All significant intercompany transactions and accounts have been eliminated. The Company has an investment in Central Bancshares Statutory Trust III (Trust III), a variable interest entity which issued trust preferred securities. See Note 11 for additional disclosures related to the subsidiary trust.

The accounting and reporting policies of the Company conform, in all material respects, to U.S. GAAP and to prevailing practices within the financial services industry. The Company does not meet the definition of Public Business Entity for financial reporting purposes under U.S. GAAP.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated balance sheets and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the estimated fair values of financial instruments.

Cash Flow Reporting - Cash and cash equivalents include cash, interest-bearing and noninterest-bearing deposits with other financial institutions that have an initial maturity of 90 days or less, and federal funds sold. Cash flows are reported net for loans, factored receivables, deposits and short-term borrowings. Supplemental cash flow information follows at December 31:

	2020	2019
Cash paid during the year for interest	$ 5,094,846	$ 7,883,569

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities Available for Sale - Securities are accounted for on a trade date basis. Premiums and discounts are amortized and accreted to operations using the level-yield method of accounting, adjusted for prepayments as applicable. Interest earned on these assets is included in interest income. The specific identification method of accounting is used to compute gains or losses on the sales of these assets.

Securities available for sale are carried at fair value. Unrealized gains and losses are excluded from earnings and reported as other comprehensive income until realized. Securities within the available for sale portfolio may be used as part of management's asset/liability strategy and may be sold in response to changes in liquidity, interest risk, prepayment risk or other similar economic factors.

Securities classified as available for sale with fair value below amortized cost are evaluated for other-than-temporary impairment (OTTI). In determining OTTI, management considers many factors, including: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and the ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

When OTTI occurs, the amount of the OTTI recognized in earnings depends on whether the Company intends to sell the security or will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If the Company intends to sell the security or it is more likely that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the consolidated balance sheet dates. If the Company does not intend to sell the security and it is not likely that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the OTTI shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other factors shall be recognized in other comprehensive income (loss). The previous amortized cost basis less the OTTI recognized in earnings shall become the new amortized cost basis of the investment.

Nonmarketable Equity Securities - Investments in stock of the Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB), and Independent Bankers Financial Corporation (TIB) are considered to be restricted as to their marketability. Because no ready market exists for these investments, they have no quoted market value, and management believes the par value is ultimately recoverable, the Company's investments in these stocks are carried at cost and evaluated for impairment. Dividends received on other bank stock are recorded as interest income when received.

Loans and Factored Receivables – Loans, that management has the intent and ability to hold for the foreseeable future or until maturity are stated at unpaid principal balances, adjusted for the allowance for credit losses charge-offs, any unamortized deferred fees or cost on originated loans and unamortized premiums or discounts on interest on loans is recognized by using the simple interest method. For loans amortized at cost, interest income is accrued based on the unpaid principal balance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company purchases factored receivables for a percentage of the total receivable owed to the customer. The Company remits the remaining balance or reserves, less a fee, when the receivable is collected. Receivables are stated at initial investment balances less the allowance for credit losses. Factoring fees are earned and recognized based upon the amount and length of time the underlying receivables are outstanding.

Nonrefundable Fees and Direct Costs Associated with Lending Activities - Generally, loan origination and commitment fees on non-residential mortgage loans are deferred and amortized as a yield adjustment over the lives of the related loans using the straight-line method (which is not considered to be materially different from the level yield method). Generally, origination fees and direct costs on residential mortgage loans are deferred and amortized as a yield adjustment over the related lives of loans on a straight-line basis (which is not considered to be materially different from the level yield method). Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Nonperforming Loans - Included in the nonperforming category are loans which have been categorized by management as impaired because of delinquency status or because collection of interest is doubtful, and loans which have been restructured to provide a reduction in the interest rate, deferral of interest or principal payments.

When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on nonaccrual status, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. If the decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan and the probability that the Company will collect all principal and interest amounts outstanding.

When a loan is placed on nonaccrual status, interest accrued and uncollected during the current year prior to the judgment of uncollectibility, is charged to operations unless the loan is well secured with collateral values sufficient to ensure collection of both principal and interest. Generally, any payments received on nonaccrual loans are applied first to outstanding loan amounts, reducing the recorded investment in the loan, and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is defined as impaired if, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments.

The allowance for credit losses related to impaired loans is determined based on the difference of carrying value or the recorded investment, loans and the present value of expected cash flows discounted at the loan’s effective interest rate or, as a practical expedient, the loan’s observable market price or the fair value of the collateral if the loan is collateral dependent.

Interest income received on impaired loans is either applied against principal or realized as interest income, according to management’s judgment as to the collectability of principal.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Troubled Debt Restructurings - The Company will classify a loan as a troubled debt restructuring if both (i) the borrower is experiencing financial difficulties and (ii) the borrower has been 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. Interest is generally accrued on such loans in accordance with the new terms.

Allowance for Credit Losses - The allowance for credit losses is a reserve established through a provision for credit losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans, including factored and other receivables. All losses are charged to the allowance for credit losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance at the time of recovery.

The allowance, in the judgment of management, is necessary to reserve for the estimated loan losses and risks inherent in the loan portfolio and is calculated in accordance with U.S. GAAP and regulatory guidance. Therefore, 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, generally, 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 often beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates, and the view of the regulatory authorities toward loan classifications.

Concentrations of Risk - The Company's investments are subject to various levels of risk associated with economic and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Company's investments. In determining fair value of these investments, management obtains information, which is considered reliable, from third parties in order to value its investments. Due to the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks could materially impact the amounts reflected herein.

Generally, the Company's loans, loan commitments, and letters of credit to customers have been granted to customers in the Company's market area, which includes Harris, Fort Bend, Montgomery, and surrounding counties. The Company's loans are typically secured by specific items of collateral including real property, consumer assets, and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions. Concentrations of credit by loan segment and class are set forth in Notes 5 and 6. It is the Company's policy to not extend credit to any single borrower or group of related borrowers in excess of the Bank's legal lending limit as defined by state and federal banking regulations.

Interest Rate Risk - The Company is principally engaged in providing short-term commercial loans with interest rates that fluctuate with various market indices, intermediate-term fixed rate real estate loans, and consumer loans. These loans are primarily funded through short-term demand deposits and longer-term certificates of deposit with fixed rates. The Company may borrow against available lines of credit to fund additional loan growth, or other investment strategies, should the need arise.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits that are not utilized to fund loans are invested in securities that meet the Company's investment quality guidelines. Unrealized gains and losses on securities available for sale that result from changing market interest rates are reflected in other comprehensive income. A portion of the Company's investments that are available for sale have contractual maturity dates through the year 2048, bear fixed rates of interest and are collateralized by residential mortgages. Repayment of principal on these mortgage-backed securities is primarily dependent on the cash flows from payments made on the underlying mortgage collateral to the bond issuer. Market rate increases can result in reduced prepayments, extending the Company's original anticipated holding period and thus increasing interest rate risk over time.

Premises and Equipment - Premises and equipment are carried at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method of accounting over the estimated useful lives of the assets. Land is carried at cost. Leasehold improvements are amortized on a straight-line basis over the periods of the leases including extensions or the estimated useful lives, whichever is shorter. Gains and losses on dispositions are included in other noninterest income.

Bank-Owned Life Insurance - The Company owns cash value life insurance policies on certain key executives which pay benefits to the Company upon the death of the named insured. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet dates, which is the cash surrender value adjusted for other changes or other amounts due that are probable at settlement. Increases to the cash surrender value of the policies are noncash earnings and are recorded in noninterest income.

Goodwill - The Company has recorded goodwill related to the 1982 acquisition of the Bank and more recent acquisitions related to its factoring operations. Management performs an annual impairment assessment of goodwill. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. Management determined goodwill was not impaired at December 31, 2020 and 2019.

Income Taxes - The Company files consolidated federal and state income tax returns with its subsidiary. On January 1, 2013, the Company elected Subchapter S status under the guidelines of the Internal Revenue Code for federal tax reporting purposes, and all items of income and expense pass through to the shareholders. Therefore, no provisions for federal income taxes are required. State franchise tax is recorded in other noninterest expense. In accordance with FASB ASC 740, *Income Taxes,* the Company believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax penalties and interest, if any, would be accrued as incurred and would be classified as tax expense in the consolidated statements of income.

Prepaid Expenses - Prepaid expenses are amortized into noninterest expense over the estimated useful life of the expenditure.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Real Estate Owned (OREO) and Repossessed Assets - OREO and repossessed assets acquired through repossession or foreclosure are held for sale and are initially recorded at the fair value of the asset less any selling costs, establishing a new cost basis. Outstanding loan balances are reduced to reflect this value through charges to the allowance for credit losses. Subsequent to repossession or foreclosure, the asset is carried at the lower of its new cost basis or fair value, less estimated costs to sell.

Subsequent adjustments to reflect changes in value above or below the recorded amounts are recognized in income in the period such determinations are assessed. Required developmental costs associated with foreclosed property under construction are capitalized and considered in determining the fair value of the property. Operating income of these assets, net of related expenses, and gains and losses on their disposition are included in other noninterest income or expense. The Company did not have any activity in OREO and repossessed assets in 2020 and 2019.

Debt Issuance Costs – The Company capitalized debt issuance costs associated with the issuance of the subordinated debentures of the notes payable (*see Note 13*). Debt issuance costs are amortized on a straight-line basis over the life of the notes payable and are included in borrowings, net of accumulated amortization, on the combined statements of financial position. Amortization expense totaled $45,538 and $26,562 for the fiscal year ended December 31, 2020 and 2019, respectively. Accumulated amortization of debt issuance costs at December 31, 2020 and 2019 was $72,102 and $26,564, respectively.

Treasury Stock – Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using first-in, first-out method.

Comprehensive Income (Loss) - Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains (losses) on available for sale securities.

Fair Value Measurements - In general, fair values of financial instruments are 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. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

The Company has not elected to account for any financial assets or liabilities as trading instruments, for which changes in market value on these instruments would be recorded in the Company's consolidated statements of income.

Revenue Recognition – ASC 606, *Revenue From Contracts With Customers* (ASC 606), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The majority of our revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as our loans, letters of credit, and investment securities, as these activities are subject to other GAAP discussed elsewhere within our disclosures. Descriptions of our revenue-generating activities that are within the scope of ASC 606, which are presented in our consolidated statements of income as components of noninterest income are as follows:

Service Charges on Deposit Accounts – These represent general service fees for monthly account maintenance and activity or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue, consisting primarily of overdraft and nonsufficient funds fees, is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed. Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Other Service Charges and Fees – These include the Company's merchant interchange income and other deposit fees. The merchant interchange income and other deposits fees are in the scope of ASC 606, and payment for such performance obligations are generally received at the time the performance obligations are satisfied. The majority of these fees in other noninterest income are not subject to the requirements of ASC 606.

Other Noninterest Income – This primarily includes items such as loan and letter of credit fees, late charges and other general operating income, none of which are subject to the requirements of ASC 606.

Transfers of Financial Assets - Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

If a transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset does not meet the conditions for sale treatment, or if a transfer of a portion of an entire financial interest does not meet the definition of a participating interest, the transferor and the transferee shall account for the transfer as a secured borrowing with pledge of collateral. The transferor shall continue to report the transferred financial assets in its financial statements with no change in their measurement.

Recent Accounting Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* as amended in July 2019 by ASU No. 2019-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2019-11, *Leases (Topic 842)*, *Targeted Improvements*, that replace existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the consolidated balance sheets. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2022. The adoption of this ASU is not expected to have a significant impact on the Company's financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this guidance eliminate the requirement to calculate the implied fair value of goodwill to measure goodwill impairment charge (Step 2). As a result, an impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis. The guidance is effective for goodwill impairment tests in fiscal years beginning after December 15, 2021, for nonpublic companies. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The impact of this guidance for the Company will depend on the outcomes of future goodwill impairment tests.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, an update that provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The optional guidance is provided to ease the potential burden of accounting for reference rate reform. The guidance is effective and can be adopted no later than December 31, 2022. The Company is currently evaluating the impact that adopting this guidance would have on the financial statements and related disclosures.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact the provisions of these ASU's and anticipates recognition of additional assets and corresponding liabilities relating to these leases on the consolidated balance sheets, but does not expect the adjustment to be material assuming no changes in lease activity.

Reclassifications – Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on net income.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 are as follows:

	2020	2019
Cash	$ 946,741	$ 1,246,491
Cash items in process of collection	10,643,474	15,081,605
Noninterest-bearing due from banks	1,772,804	1,196,938
Interest-bearing due from banks	9,529,030	18,888,390
Total Cash and Cash Equivalents	$ 22,892,049	$ 36,413,424

Reserve Requirements

The Bank, as a correspondent of the Federal Reserve System, is required to maintain reserves for the purpose of facilitating the implementation of monetary policy. These reserves may be maintained in the form of balances at the Federal Reserve Bank or by vault cash. The Bank's reserve requirements were $-0- and $1,719,000 at December 31, 2020 and 2019, respectively. Accordingly, cash balances were restricted to that extent.

During 2020, certain demand deposits accounts have been reclassified to savings accounts for Federal Reserve Bank of Dallas requirement purposes as allowed by The Monetary Control Act of 1980 and Federal Reserve Regulation D. The reclassification for 2020 and 2019 amounted to $226,976,000 and $183,833,000, respectively.

Uninsured Cash

All cash and cash equivalents are maintained with major financial institutions in the United States. 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. In monitoring this credit risk, the Company periodically evaluates the stability of the financial institutions with which it has deposits. The Company has $1,343,000 and $601,000 deposits in Federal Deposit Insurance Corporation (FDIC) insured financial institutions which exceed the amount insured by the FDIC at December 31, 2020 and 2019, respectively. In addition, the Company has $120,868 and $189,773 in cash deposits at the FHLB which are not insured by the FDIC at December 31, 2020 and 2019, respectively. The Company also carries balances at the Federal Reserve Bank which are not considered at risk for loss.

NOTE 3 SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair values of securities available for sale are summarized in the following table.

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
2020				
U.S. Government Agency				
Mortgage-backed securities	$ 14,033,830	$ 107,208	$ (50,931)	$ 14,090,107
SBA - Pools	471,052	-	(1,887)	469,165
DUS Bonds	10,934,466	560,927	-	11,495,393
Municipal bonds	118,635,441	4,591,853	(330,671)	122,896,623
Corporate Bond	2,000,000	-	-	2,000,000
Community Reinvestment				
Mortgage-backed securities	2,063,282	40,407	(139)	2,103,550
	$148,138,071	$ 5,300,395	$ (383,628)	$153,054,838
2019				
U.S. Government Agency				
Mortgage-backed securities	$ 49,437,050	$ 461,966	$ (157,634)	$ 49,741,382
SBA - Pools	796,499	-	(13,271)	783,228
Municipal bonds	57,149,390	1,539,118	(48,905)	58,639,603
Community Reinvestment				
Mortgage-backed securities	2,910,735	21,665	(33,606)	2,898,794
	$110,293,674	$ 2,022,749	$ (253,416)	$112,063,007

Maturities

The amortized cost and estimated fair value of securities at December 31, 2020, by contractual maturities, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities have been allocated over the maturity groupings below based on stated maturity date.

Amounts Maturing In:	Amortized cost	Estimated fair value
1 year or less	$ 3,489,773	$ 3,514,954
After 1 year through 5 years	40,583,905	41,589,665
After 5 years through 10 years	64,184,764	67,471,917
After 10 years	39,879,629	40,478,312
Totals	$ 148,138,071	$ 153,054,848

NOTE 3 SECURITIES AVAILABLE FOR SALE (CONTINUED)

Realized Gains and Losses

Realized gains and losses on sales of securities during the years ended December 31 are as follows:

	2020	2019
Realized gains	$ 781,053	$ 1,053
Realized losses	-	(15,402)
Net realized gain (loss) on sale of securities	$ 781,053	$ (14,349)

Unrealized Losses

For securities in an unrealized loss position, the following table shows gross unrealized losses and fair value by length of time that individual securities have been in a continuous unrealized loss position.

At December 31, 2020 and 2019, there were 11 and 48 securities, respectively, in a continuous loss position as follows:

	Less than twelve months		Twelve months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
2020						
U.S. Government Agency Mortgage-backed securities	$ 15,930	$ 4,869,580	$ 35,000	$ 3,490,007	$ 50,931	$ 8,359,587
SBA - Pools	-	-	1,887	469,165	1,887	469,165
Municipal bonds	330,671	22,693,116	-	-	330,671	22,693,116
CRA Mortgage-backed securities	139	552,181	-	-	139	552,181
	$ 346,740	$ 28,114,877	$ 36,887	$ 3,959,172	$ 383,628	$ 32,074,049
2019						
U.S. Government Agency Mortgage-backed securities	$ 37,915	$ 5,428,325	$ 119,719	$ 16,413,523	$ 157,634	$ 21,841,848
SBA - Pools	13,271	783,227	-	-	13,271	783,227
Municipal bonds	44,667	3,810,895	4,238	1,288,717	48,905	5,099,612
CRA Mortgage-backed securities	-	-	33,606	2,343,735	33,606	2,343,735
	$ 95,853	$ 10,022,447	$ 157,563	$ 20,045,975	$ 253,416	$ 30,068,422

Management does not have the intent to sell any of the securities classified as available for sale in the preceding table, and believes that it is more likely than not that the Company will not have to sell any of these securities before a recovery of cost. The unrealized losses are attributable primarily to changes in market interest rates relative to those available when the securities were acquired. The fair value of these securities is expected to recover as the securities reach their maturity or re-pricing date, or if market rates for such investments decline.

NOTE 3 SECURITIES AVAILABLE FOR SALE (CONTINUED)

As of December 31, 2020 and 2019, management does not believe that any of these securities are impaired due to reasons of credit quality and believes the impairments detailed in the preceding table are temporary. Accordingly, no impairment loss has been realized in the Company's consolidated statements of income for the years then ended.

Pledged Securities

At December 31 certain securities were pledged to secure public funds on deposits. The carrying amounts of these securities were $86,659,354 and $50,642,877 at December 31, 2020 and 2019, respectively.

NOTE 4 NONMARKETABLE EQUITY SECURITIES

Investment in Partnership

During 2012, the Company committed to invest capital of up to $1,000,000 in a limited partnership. The partnership had issued capital calls amounting to 100% at December 31, 2020 and 2019, respectively. The Company has an investment in the partnership of $433,542 and $695,360 at December 31, 2020 and 2019, respectively, which is recorded at cost. In 2020, the Company wrote down $261,000 of Lone Star investment.

Other Bank Stock

At December 31, 2020 and 2019, the Company held $1,806,000 of FHLB stock. Banks that are members of the FHLB are required to maintain a stock investment in the FHLB calculated as a percentage of aggregate outstanding mortgages, outstanding FHLB advances, and other financial instruments. FHLB stock is capital stock that is bought from and sold to the FHLB at $100 par value. Both stock and cash dividends may be received on FHLB stock and are recorded when received as interest income.

At December 31, 2020 and 2019, the Company held $1,029,000 of FRB stock, respectively. The Bank is a member of the Federal Reserve System and is required to subscribe to FRB stock at a specific percentage of the Bank's equity. Although the par value of the stock is $100 per share, member banks pay only $50 per share at the time of purchase with an understanding that the other half of the subscription amount is subject to call at any time. The stock does not provide the owner with control or financial interest in the FRB, is not transferable, and cannot be used as collateral.

The Company held TIB stock of $30,000 at cost at December 31, 2020 and 2019, respectively.

NOTE 5 LOANS AND FACTORED RECEIVABLES

Loans

Loans by portfolio segment at December 31 are summarized as follows:

	2020	Percent	2019	Percent
Real estate	$ 475,033,968	81.4%	$ 470,809,512	85.3%
Commercial and industrial	56,293,578	9.6%	31,451,737	5.7%
Nondepository institutions	39,380,711	6.8%	27,182,139	4.9%
Consumer	2,186,894	0.4%	2,756,139	0.5%
Other	10,420,000	1.8%	19,600,646	3.6%
	583,315,151	100.0%	551,800,173	100.0%
Less deferred loan fees and costs, net	(884,183)		(395,357)	
Less allowance for credit losses on loans	(5,575,521)		(4,717,388)	
Loans, net	$ 576,855,447		$ 546,687,428	

Loan Concentrations

The following concentrations are included in the real estate category as follows at December 31:

	2020	2019
1-4 family residential:		
First lien mortgages	$ 136,774,650	$ 136,117,628
Second lien mortgages	52,356,797	68,127,465
Purchased mortgage loans and related net premium	46,648,363	34,932,611
Totals	$ 235,779,810	$ 239,177,704

Portfolio Segments and Loan Classes

The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. The Company's loans are segmented by type as noted in the preceding tables. Diversification of the loan portfolio is a means of managing the risks associated with fluctuations in economic conditions.

In order to manage the diversification of the portfolio, the Company also sub-segments loans into classes. The real estate loan segment is sub-segmented into classes of commercial real estate mortgage loans, construction and land development loans, 1-4 family residential loans, and multi-family residential loans. The Company sub-segments consumer loans into classes of automobiles, and other consumer loans. Management has not identified any significant sub-segments, or classes, for the other loan segments. Information and risk management practices specific to the Company's loan segments and classes follows.

NOTE 5 LOANS AND FACTORED RECEIVABLES (CONTINUED)

Real estate - The Company makes commercial real estate mortgage loans which are primarily viewed as cash flow loans and secondarily as loans secured by real estate. The properties securing the Company's commercial real estate mortgage loans can be owner occupied or non-owner occupied. Concentrations within the various types of commercial properties are monitored by management in order to assess the risks in the portfolio.

The repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Accordingly, repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans. The Company seeks to minimize these risks in a variety of ways in connection with underwriting these loans, including giving careful consideration to the property's operating history, future operating projections, current and projected occupancy, location and physical condition.

Construction and land development loans include both owner and non-owner occupied properties and are subject to certain risks attributable to the fact that loan funds are advanced over the construction phase and the project can be subject to cost and value changes prior to its completion. Construction loans are generally based upon estimates of costs and value associated with the completed project with repayment dependent, in part, on the success of the ultimate project rather than the ability of the borrower or guarantor to repay the loan. Third-party appraisals are obtained prior to loan origination to confirm as completed values.

Terms for construction and development loans generally coincide with the estimated time to complete construction, market the completed property for sale or lease, or facilitate occupancy by the owner. The Company has underwriting and funding procedures designed to address what it believes to be the risks associated with such loans; however, no assurance can be given the procedures will prevent losses resulting from the risks described above. The Company monitors and sets limits on total construction, unimproved land and land development (CLD) loans as measured as a percentage of risk based capital.

The Company's real estate lending activities also include the origination of first lien and second lien 1-4 family residential and first lien multi-family residential loans. The terms of these loans typically range from five to thirty years and are secured by the properties financed. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. For first lien mortgages, and for most second lien mortgages, the Company requires the borrowers to maintain mortgage title insurance and hazard insurance. In order to reduce concentration risk, from time-to-time the Company sells a selection of 1-4 family residential loans from its portfolio into the secondary market without recourse and with servicing released.

Commercial and industrial - The Company's commercial and industrial loans represent credit extended to small to medium-sized businesses generally for the purpose of providing working capital and equipment purchase financing. Commercial and industrial loans often are dependent on the profitable operations of the borrower. These credits are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may also incorporate a personal guarantee. Some shorter term loans may be extended on an unsecured basis. 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

NOTE 5 LOANS AND FACTORED RECEIVABLES (CONTINUED)

customers. The cash flows of borrowers may not be as expected and the collateral securing these loans may fluctuate, increasing the risk associated with this loan segment. As a result of the additional complexities, variables, and risks, commercial loans typically require more thorough underwriting and servicing than other types of loans.

Nondepository institutions - Loans to nondepository institutions primarily include extensions of credit under guidance lines to mortgage and finance companies. Often, the collateral securing these credit lines consists of an assignment of notes receivable that are secured by first liens on single family homes and to a lesser extent improved and unimproved commercial real estate. Repayment of these credit lines is derived from the cash flows received by the borrowers, which is primarily generated through payments received on the assigned loans. The Company underwrites these credits based upon the financial stability of the borrower and will look directly to the cash flows from the single family home loans to repay the debt should the borrowers default.

Consumer - The Company's consumer loans include automobile loans and other loans to include, personal loans (collateralized and uncollateralized) and deposit account collateralized loans. The terms of these loans typically range from one to seven years and vary based on the nature of collateral and size of the loan. Consumer loan collections are dependent on the borrower's continuing financial stability, and thus more likely to be adversely affected by job loss, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as deemed appropriate by management.

Other – Included in other loans are loans to municipal utility districts. The loan term is typically one year. The repayment of the loans is dependent on the municipalities' issuance and sale of municipal bonds.

Loan Participations Purchased and Sold

At December 31, 2020 and 2019 the Company had outstanding balances of loan participations sold in the amount of $9,631,067 and $14,035,223, respectively. There were no loan participations purchased outstanding at December 31, 2020 and 2019.

Loans Purchased and Held

At December 31, 2020 and 2019, the Company had $46,242,507 and $34,600,263, respectively, of 1-4 family residential loans purchased from third parties, net of unamortized premiums of $408,856 and $332,346, respectively, and unamortized discount accretion of $-0-.

Loans Sold

At December 31, 2020 and 2019, respectively, the Company sold 61 and seven 1-4 family residential loans in the secondary market in the amount of $19,905,189 and $2,412,098.

NOTE 5 LOANS AND FACTORED RECEIVABLES (CONTINUED)

Past Due and Nonaccrual Loans

The following is an analysis of past due and nonaccrual loans, segregated by loan class.

	Current and accruing	30 or more days past due and still accruing	Nonaccrual	Total loans
2020				
Commercial real estate mortgage	$ 161,798,442	$ -	$ 3,094,769	$ 164,893,211
Construction and land development	57,871,066	-	-	57,871,066
1-4 family residential	234,399,331	930,447	450,032	235,779,810
Multi-family residential	16,489,881	-	-	16,489,881
Commercial and industrial	55,816,662	300,000	176,916	56,293,578
Nondepository institutions	39,380,711	-	-	39,380,711
Consumer - automobiles	38,931	-	-	38,931
Consumer - other	2,147,963	-	-	2,147,963
Other	10,420,000	-	-	10,420,000
Totals	$ 578,362,987	$ 1,230,447	$ 3,721,717	$ 583,315,151
2019				
Commercial real estate mortgage	$ 149,503,480	$ 865,108	$ -	$ 150,368,588
Construction and land development	65,079,653	-	-	65,079,653
1-4 family residential	237,659,479	1,470,205	48,020	239,177,704
Multi-family residential	16,183,567	-	-	16,183,567
Commercial and industrial	31,451,737	-	-	31,451,737
Nondepository institutions	27,182,139	-	-	27,182,139
Consumer - automobiles	99,214	-	-	99,214
Consumer - other	2,656,925	-	-	2,656,925
Other	19,600,646	-	-	19,600,646
Totals	$ 549,416,840	$ 2,335,313	$ 48,020	$ 551,800,173

Nonaccrual Loan Investment and Interest

At December 31, 2020 and 2019, the recorded investment in nonaccrual loans is not considered materially different from the amounts reflected in the table above, as the accrued interest receivable, deferred fees, and specific allowances for credit losses are not considered material for these loans.

The Company had no loans 90 days or more past due and still accruing interest for 2020 and 2019. Interest foregone on nonaccrual loans was $83,472 and $807 for the years ended December 31, 2020 and 2019, respectively. There was no interest income recorded on a cash basis, for December 2020 and 2019.

NOTE 5 LOANS AND FACTORED RECEIVABLES (CONTINUED)

Troubled Debt Restructuring

During the years ended December 31, 2020 and 2019, the Company's loans modified under troubled debt restructuring are $-0-.

Factored Receivables

Factored receivables at December 31 are summarized as follows:

	2020	2019
Receivables purchased	$ 47,371,066	$ 58,868,921
Less allowance for credit losses on factored receivables	(1,777,818)	(1,970,286)
Less deferred loan fees and costs, net	(360,176)	(536,036)
Less reserves payable	(2,683,350)	(2,816,924)
Total factored receivables, net	$ 42,549,722	$ 53,545,675

The factored receivables are not collateral for loans to the Company's customers; rather, the receivables are purchased outright. Generally the receivables are purchased with recourse to the Company's customer; however, the Company assumes the credit risk based upon underwriting criteria established for both the customer and the customer's clients. The Company discounts the receivable purchased and retains a reserve as a percentage of outstanding receivables to cover unpaid receivables, which is determined by management based upon experience and other underwriting criteria.

In 2018, Central Bank, acting through its subsidiary Advantage Business Capital, purchased the assets of DSCH, LLC dba Far West Capital ("Far West") a factoring company, headquartered in Austin, Texas, with an office in El Paso, Texas. A Bargain Purchase Gain was recognized and goodwill in the amount of $525,000 was recorded. This portion of Goodwill will be amortized monthly over three years, the expected life of the acquired customer base. Advantage goodwill balance was $1,020,290 on December 31, 2020.

Factored Receivables Participations

The Company had factored receivables participations outstanding as follows at December 31:

	2020	2019
Participations purchased, end of year	$ 399,592	$ 156,529
Participations sold, end of year	$ 4,804,365	$ 8,055,161

NOTE 5 LOANS AND FACTORED RECEIVABLES (CONTINUED)

Factored Payables

The reserve that may be payable to the Company's customers upon timely receipt of payment on the factored payables for December 31, 2020 and 2019 were $2,683,350 and $2,816,924, respectively.

The following table represents deferred revenue from fees and amounts payable to customers that have been collected at December 31:

	2020	2019
Accrued reserves on factored receivables	$ 1,444,484	$ 1,302,691

Factored Receivables Aging

At December 31, the age of the Company's factored receivables is as follows:

	2020	2019
Less than 30 days	$ 32,807,697	$ 42,857,558
31 to 90 days	13,890,331	14,384,860
91 or more days	673,038	1,626,503
Totals	$ 47,371,066	$ 58,868,921

Management performs an evaluation of factored receivables 91 or more days past due to determine a course of action. The Company has the option to sell the receivables back to the customers or charge the amount against the customers' reserves.

NOTE 6 ALLOWANCE FOR CREDIT LOSSES

For purposes of determining the allowance for credit losses, the Company considers the loans in its portfolio by segment, class, and risk grade. Management uses significant judgment to determine the estimation method that fits the credit risk characteristics of each portfolio segment or class. To facilitate the assessment of risk, management reviews reports related to loan production, loan quality, concentrations of credit, loan delinquencies, and nonperforming and potential problem loans. The Company utilizes an independent third party loan review service to review the credit risk assigned to loans on a periodic basis and the results are presented to management for review.

NOTE 6 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Rollforward of the Allowance for Credit Losses

The following table presents a detail of the activity in the allowance for credit losses segregated by portfolio segment.

	Balance, beginning of year	Provisions	Charge-offs	Recoveries	Balance, end of year
2020					
Real estate	$ 3,778,936	$ 700,000	$ -	$ 64,278	$ 4,543,214
Commercial and industrial	537,604	100,000	-	-	637,604
Nondepository institutions	207,089	-	-	-	207,089
Consumer	3,669	-	-	-	3,669
Other	190,090	-	(10,472)	4,327	183,945
	4,717,388	800,000	(10,472)	68,605	5,575,521
Factored receivables	1,970,286	-	(370,468)	178,000	1,777,818
Totals	$ 6,687,674	$ 800,000	$ (380,940)	$ 246,605	$ 7,353,339
2019					
Real estate	$ 3,374,686	$ 275,000	$ (57,331)	$ 186,581	$ 3,778,936
Commercial and industrial	537,698	150,000	(150,094)	-	537,604
Nondepository institutions	207,089	-	-	-	207,089
Consumer	3,669	-	-	-	3,669
Other	188,923	25,000	(24,857)	1,024	190,090
	4,312,065	450,000	(232,282)	187,605	4,717,388
Factored receivables	1,388,142	650,000	(207,712)	139,856	1,970,286
Totals	$ 5,700,207	$ 1,100,000	$ (439,994)	$ 327,461	$ 6,687,674

Allocation of Allowance for Credit Losses

The total allowance is available to absorb losses from any category of loans or factored receivables. The allocation of the allowance for the loan portfolio is based on the dollar amount of loans in each segment rather than an analysis of specific loans. The allocation is made for analytical purposes and is not necessarily indicative of the categories in which future losses may occur.

Risk Grading

As part of the on-going monitoring of the credit quality of the Company's loan portfolio and methodology for calculating the allowance for credit losses, management assigns and tracks loan grades to be used as credit quality indicators. The following is a general description of the loan grades used as of December 31, 2020 and 2019.

Pass - This category of assets are considered "*pass*" which indicates prudent underwriting and a normal amount of risk. The range of risk within these credits can vary from little to no risk with cash securing a credit, to a level of risk that requires a strong secondary source of repayment on the debt. Pass credits with a higher level of risk may be to borrowers that are highly leveraged, under-capitalized or in an industry or economic area that is known to carry a higher level of risk, volatility, or susceptibility to weaknesses in the economy.

NOTE 6 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Management Attention - Included in this category are assets referred to as "*management attention*" which appear prudently underwritten, are performing, but a negative trend may have been defined, or weaknesses identified, that require special monitoring. This may be due to the lack of credit or collateral information that would allow a credit quality analysis of the credit, or may be due to the borrowing entity being relatively new without much outside financial support.

OAEM - Assets in this category contain more than the normal amount of risk and are referred to as "*other assets especially mentioned*", or OAEM, in accordance with regulatory guidelines. These assets possess clearly identifiable temporary weaknesses or trends that, if not corrected or revised, will result in a condition that exposes the Company to a higher level of risk of loss.

Substandard - Assets in this category are "*substandard*" in accordance with regulatory guidelines and of unsatisfactory credit quality with well-defined weaknesses or weaknesses that jeopardize the liquidation of the debt.

Assets in this category are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. These credits are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Often, the assets in this category will have a valuation allowance representative of management's estimated loss that is probable to be incurred.

Doubtful - Assets in this category are considered "*doubtful*" in accordance with regulatory guidelines, are placed on nonaccrual status and may be dependent upon collateral having a value that is difficult to determine or upon some near-term event which lacks certainty. Generally, these credits will have a valuation allowance based upon management's best estimate of the losses probable to occur in the liquidation of the debt.

Loss - Assets in this category are considered "*loss*" in accordance with regulatory guidelines and are considered uncollectible and of such little value as to question their continued existence as assets on the Company's consolidated financial statements. Such assets 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. This category does not intend to imply that the debt, or some portion of it will never be paid, nor does it in any way imply that the debt will be forgiven.

The following table presents loans and factored receivables by risk grade and loan class. There were no loans graded Doubtful or Loss at either year end period.

NOTE 6 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	Pass	Management attention	OAEM/Substandard	Total loans and factored receivables
2020				
Commercial real estate mortgage	$ 149,313,135	$ 7,028,250	$ 8,551,826	$ 164,893,211
Construction and land development	57,871,066	-	-	57,871,066
1-4 family residential	232,803,127	1,891,625	1,085,058	235,779,810
Multi-family residential	15,371,613	1,118,268	-	16,489,881
Commercial and industrial	54,965,706	-	1,327,872	56,293,578
Nondepository institutions	39,380,711	-	-	39,380,711
Consumer - automobiles	38,931	-	-	38,931
Consumer - other	2,147,963	-	-	2,147,963
Other	10,420,000	-	-	10,420,000
	562,312,252	10,038,143	10,964,756	583,315,151
Factored receivables	27,993,732	14,340,400	5,036,934	47,371,066
Totals	$ 590,305,984	$24,378,543	$ 16,001,690	$ 630,686,217
2019				
Commercial real estate mortgage	$ 143,981,393	$ 531,549	$ 5,855,646	$ 150,368,588
Construction and land development	61,757,657	3,321,996	-	65,079,653
1-4 family residential	236,593,725	1,822,021	761,958	239,177,704
Multi-family residential	16,183,567	-	-	16,183,567
Commercial and industrial	31,311,737	-	140,000	31,451,737
Nondepository institutions	27,182,139	-	-	27,182,139
Consumer - automobiles	99,214	-	-	99,214
Consumer - other	2,656,925	-	-	2,656,925
Other	19,600,646	-	-	19,600,646
	539,367,003	5,675,566	6,757,604	551,800,173
Factored receivables	38,976,401	17,314,622	2,577,898	58,868,921
Totals	$ 578,343,404	$22,990,188	$ 9,335,502	$ 610,669,094

The Company evaluates the loan risk grading system definitions and allowance for credit loss methodology on an ongoing basis. No significant changes were made to either during the past year.

Specific and General Allowances

The Company's loans, factored receivables, and allowance for credit losses as of December 31, 2020 and 2019 by portfolio segment and disaggregated on the basis of the Company's impairment methodology is as follows:

NOTE 6 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

2020

Loans	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Real estate	$ 3,544,801	$ 471,489,167	$ 475,033,968
Commercial and industrial	176,916	56,116,662	56,293,578
Nondepository institutions	-	39,380,711	39,380,711
Consumer	-	2,186,894	2,186,894
Other	-	10,420,000	10,420,000
	3,721,717	579,593,434	583,315,151
Factored receivables	-	47,371,066	47,371,066
Totals	$ 3,721,717	$ 626,964,500	$ 630,686,217

Allowance for credit losses	Specific allowance	General allowance	Total
Real estate	$ -	$ 4,543,214	$ 4,543,214
Commercial and industrial	176,916	460,688	637,604
Nondepository institutions	-	207,089	207,089
Consumer	-	3,669	3,669
Other	-	183,945	183,945
	176,916	5,398,605	5,575,521
Factored receivables	-	1,777,818	1,777,818
Totals	$ 176,916	$ 7,176,423	$ 7,353,339
Allowance as a percentage of year end loans	4.75%	1.14%	1.17%

NOTE 6 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

2019

Loans	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Real estate	$ 48,020	$ 470,761,492	$ 470,809,512
Commercial and industrial	-	31,451,737	31,451,737
Nondepository institutions	-	27,182,139	27,182,139
Consumer	-	2,756,139	2,756,139
Other	-	19,600,646	19,600,646
	48,020	551,752,153	551,800,173
Factored receivables	2,970,028	55,898,893	58,868,921
Totals	$ 3,018,048	$ 607,651,046	$ 610,669,094

Allowance for credit losses	Specific allowance	General allowance	Total
Real estate	$ 48,020	$ 3,730,916	$ 3,778,936
Commercial and industrial	-	537,604	537,604
Nondepository institutions	-	207,089	207,089
Consumer	-	3,669	3,669
Other	-	190,090	190,090
	48,020	4,669,368	4,717,388
Factored receivables	169,136	1,801,150	1,970,286
Totals	$ 217,156	$ 6,470,518	$ 6,687,674
Allowance as a percentage of year end loans	7.20%	1.06%	1.10%

NOTE 6 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Unpaid Principal Balance of Impaired Loans and Factored Receivables

The following table includes the unpaid principal balances for impaired loans and factored receivables, segregated by loan class.

	Recorded balance of impaired loans and factored receivables	Total unpaid principal balance
2020		
Real estate	$ 3,544,801	$ 3,544,801
Commercial and industrial	176,916	176,916
Total	$ 3,721,717	$ 3,721,717
2019		
Real estate	$ 48,020	$ 48,020
Factored receivables	2,970,028	2,970,028
Total	$ 3,018,048	$ 3,018,048

Recorded Investment in Impaired Loans and Factored Receivables and Related Allowance

The following table provides information about the recorded investment in impaired loans and the related allowance by loan class at December 31, 2020 and 2019. Accrued interest receivable and deferred fees for impaired loans are considered not material and not included in this table.

	Recorded balance of impaired loans and factored receivables	Less related specific allowance	Recorded investment, net
2020			
With a related allowance:			
Real estate	$ 3,544,801	$ -	$ 3,544,801
Commercial and industrial	176,916	$ 176,916	$ -
Total	$ 3,721,717	$ 176,916	$ 3,544,801

NOTE 6 ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	Recorded balance of impaired loans and factored receivables	Less related specific allowance	Recorded investment, net
2019			
With a related allowance:			
Real estate	$ 48,020	$ 48,020	$ -
Factored receivables	2,970,028	169,136	2,800,892
Total	$ 3,018,048	$ 217,156	$ 2,800,892

Average Investment in Impaired Loans and Factored Receivables

For 2020 and 2019, the approximate average investment in impaired loans and factored receivables is $3,370,000 and $2,700,000, respectively.

Recorded Interest Income on Impaired Loans

For 2020 and 2019, there is no interest income recorded for impaired loans.

Paycheck Protection Program – The Company is participating in the Paycheck Protection Program (PPP), which is a loan program that originated from the CARES Act and was subsequently expanded by the PPP and Health Care Enhancement Act. The PPP is designed to provide U.S. small businesses with cash flow assistance through loans fully guaranteed by the SBA. If the borrower meets certain criteria and uses the proceeds towards certain eligible expenses, the borrower's obligation to repay the loan can be forgiven up to the full principal amount of the loan and any accrued interest. Upon borrower forgiveness, the SBA pays the Company for the principal and accrued interest owed on the loan. If the full principal of the loan is not forgiven, the loan will operate according to the original loan terms with the 100% SBA guaranty remaining.

As of December 31, 2020, the Company had approximately 191 PPP loans with outstanding balances totaling $19,951,000. As compensation for originating the loans, the Company received lender processing fees from the SBA, which are amortized over the life of the loan. The remaining balance of the fees are recognized by the Company if the loan is paid off early. Upon forgiveness of a loan and repayment by the SBA, any unrecognized net capitalized fees and costs related to the loan will be recognized as interest income in that period.

NOTE 7 PREMISES AND EQUIPMENT

Premises and equipment at December 31 are summarized as follows:

	2020	2019
Land	$ 2,273,127	$ 2,273,127
Buildings	7,866,534	7,856,113
Leasehold improvements	1,651,304	1,364,305
Furniture and equipment	2,959,320	2,887,617
Automobiles	63,780	148,741
Computer hardware and software	3,556,444	3,387,107
Construction in progress	8,708	53,525
	18,379,217	17,970,535
Less accumulated depreciation and amortization	(11,315,422)	(10,518,609)
Total premises and equipment, net	$ 7,063,795	$ 7,451,926

Depreciation and amortization expense were $860,468 and $906,905 for 2020 and 2019, respectively.

NOTE 8 BANK-OWNED LIFE INSURANCE

The Company purchased life insurance policies, some of which are under split dollar agreements, covering employees for which an insurable interest existed at the date of purchase. The Company records the expense related to the post-retirement costs to carry the insurance in salary and benefits, with the offsetting liability in accrued deferred compensation liabilities (see Note 14). Primarily these policies are secured by the general assets of the insurance companies. Bank owned life insurance policies and the net increase in cash surrender value during the years ended December 31 are summarized as follows:

	2020	2019
Balance, beginning of year	$ 11,334,940	$ 11,043,783
Interest earned, net of costs	248,475	291,157
Balance, end of year	$ 11,583,415	$ 11,334,940

NOTE 9 ACCRUED INTEREST AND FEES RECEIVABLE

Accrued interest and fees receivable at December 31 consists of the following:

	2020	2019
Loans	$ 1,950,379	$ 1,712,487
Factored receivables	360,175	536,036
Securities available for sale	1,277,855	822,989
Total accrued interest and fees receivable	$ 3,588,409	$ 3,071,512

NOTE 10 OTHER REAL ESTATE OWNED

The Company held no other real estate at December 31, 2020 and 2019.

NOTE 11 INVESTMENT IN SUBSIDIARY TRUST AND JUNIOR SUBORDINATED DEBT

During 2007, the Company completed the private placement of an aggregate of $5,500,000 of trust preferred securities through its wholly owned subsidiary Central Bancshares Statutory Trust III (Trust III), of which the Company owns all of the common securities at a cost of $171,721 and $171,831 at December 31, 2020 and 2019, respectively.

Trust III invested $5,671,000 in the Company's junior subordinated debentures due 2037. The interest rates for the capital securities and the debentures float quarterly. The interest rate for Trust III is the 3-month LIBOR rate of 0.25% plus 1.74%, or 1.99% at December 31, 2020 and 3-month LIBOR rate of 2.12% plus 1.74% or 3.86% at December 31, 2019. The Company's subordinated debentures carry the same rates with interest payable to Trust III.

The debentures, which are the only assets of Trust III, are subordinate and junior in right of payment to all present and future senior indebtedness of the Company. The Company has fully and unconditionally guaranteed Trust III's capital securities obligations.

The trust preferred securities may currently be included in Tier 1 capital for regulatory capital adequacy purposes.

NOTE 12 DEPOSITS

The following table presents information relating to deposits at December 31:

	2020	2019
Time deposits in denominations of $250,000 or more	$ 89,032,955	$ 90,929,415
Deposits obtained through a reciprocal depository	$ 61,126,024	$ 48,693,013
Deposits from state and political subdivisions	$ 255,746,416	$ 289,381,171
Overdraft deposits reclassified as loan balances	$ 4,749	$ 16,008

The scheduled maturities of all time deposits are as follows at December 31:

Maturity	2020
2021	$ 150,201,888
2022	8,507,451
2023	1,212,135
2024	1,606,694
2025	3,095,434
Total	$ 164,623,602

NOTE 13 BORROWINGS

Subordinated Notes

On June 20, 2019, the Company issued subordinated notes of $17,500,000 due on June 30, 2029. It is carried at a rate of 5.75% per annum, from and including the closing date to but excluding June 30, 2024 payable semi-annually in arrears. From and including June 30, 2024 to but excluding the maturity date or early redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month LIBOR (provided, however, that in the event three-month LIBOR is less than zero, three-month LIBOR shall be deemed to be zero) plus 387 basis points payable quarterly in arrears. The Company used the proceeds to pay off term debt and support organic growth.

Federal Home Loan Bank Advances

For 2020 and 2019, the Company had no outstanding advances from the FHLB which are collateralized by a blanket pledge of qualifying loans and securities. At December 31, 2020 and 2019, the carrying value of qualifying pledged loans and securities is $282,823,450 and $261,986,550, respectively. At December 31, 2020, the Company has additional borrowing capacity of $83,395,950 available under this facility.

Unfunded Letters of Credit and Lines of Credit

At December 31, 2020 and 2019, the Company has unfunded letters of credit from the FHLB totaling $199,427,500 and $226,317,500, respectively, which at December 31, 2020, are pledged to secure public deposits. At December 31, 2020 and 2019, the Company has unfunded overnight lines of credit with other banks totaling $17,500,000.

NOTE 14 DEFERRED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Salary Continuation Plan and Split Dollar

In 2002, the Company adopted a Salary Continuation Plan to provide for post-retirement compensation. During 2005, the Company executed agreements with certain executive officers, and is accruing the present value of expected costs over the periods prior to retirement for each participant. The deferred liability, which includes the post-retirement costs to carry split-dollar life insurance, has been recorded as follows for the years ended December 31:

	2020	2019
Deferred liability, beginning of year	$ 3,512,961	$ 3,480,584
Payments made	(211,473)	(104,727)
Expense recorded	109,661	137,104
Deferred liability, end of year	$ 3,411,149	$ 3,512,961

NOTE 14 DEFERRED COMPENSATION AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Long Term Incentive Compensation Plan

In 2012, the Company adopted a Long Term Incentive Compensation Plan (LTIP) whereby key employees have the opportunity to earn phantom stock awards. In 2015, the Company amended these awards to vest over from seven year to five year duration. Awards will be settled in cash, and vesting is subject to certain performance criteria. The Company will record compensation expense annually related to vesting and the increase in intrinsic value. The Company entered into agreements with 26 key employees under the plan as follows:

Year granted	Valuation date	Value granted & outstanding	Estimated market value per share upon grant	Phantom shares granted & outstanding	Phantom shares vested & outstanding
2012	December 31, 2011	$ 157,968	$ 7,200	17.83	21.94
2013	December 31, 2012	368,980	8,725	42.29	42.29
2014	December 31, 2013	595,087	9,786	59.02	62.60
2015	December 31, 2014	523,659	12,860	39.08	40.72
2016	December 31, 2015	499,288	14,750	33.29	34.41
2017	December 31, 2016	570,000	15,425	35.44	23.74
2018	December 31, 2017	640,000	18,326	34.92	11.52
2019	December 31, 2018	702,500	18,759	37.45	-
2020	December 31, 2019	662,538	20,672	32.05	-
Award at date of grant		$ 4,720,020		331.37	237.22

The estimated deferred liability related to the Long-Term Incentive Compensation Plan calculated at management's current estimate of share value is approximately $6,356,772.

The deferred liability for the Long-Term Incentive Compensation Plan for vested awards is recorded as follows at December 31:

	2020	2019
Deferred liability, beginning of year	$ 4,176,982	$ 2,935,660
Payments LTIP	(198,578)	(73,178)
Expense recorded	560,600	1,314,500
Deferred liability, end of year	$ 4,539,004	$ 4,176,982

Employee Benefit Plan

The Company provides a defined contribution 401(k) benefit plan for all eligible employees. The Company matches 50% of employee contributions to a maximum of 4% of employee compensation annually. The Company's benefit plan contributions in 2020 and 2019 amounted to $475,338 and $494,175, respectively.

NOTE 14 DEFERRED COMPENSATION AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Employee Stock Ownership Plan

On May 2019, the Company merged the Employee Stock Ownership Plan and 401(k) Plan into one plan (a KSOP). The Plan provides employees of the Company and any related organizations who participate in the Plan an opportunity to share in the growth and prosperity of the Company, accumulate capital for their future economic security and acquire beneficial stock ownership interests in the Company.

NOTE 15 COMMON STOCK AND TREASURY STOCK

At December 31, 2020 and 2019, the Company has 5,000,000 shares of common stock authorized at a par value of $1 per share. The Company has shares issued and outstanding as follows at December 31:

	2020	2019
Common shares issued, end of year	4,694	4,694
Less treasury stock:		
Shares held in treasury, beginning of year	326	326
Shares held in treasury, end of year	326	326
Common shares outstanding, end of year	4,368	4,368

At December 31, 2020 and 2019, the number of shareholders is 32, and 63.3% of the shares outstanding are considered closely-held.

NOTE 16 RELATED PARTY TRANSACTIONS

Related parties are defined as executive officers, directors of the Bank, and directors and significant shareholders of the Company. Shareholders are considered significant if they and their affiliates own 5% or more of the Company's stock. In the ordinary course of business, the Company has conducted and expects to continue to conduct routine banking business with related parties. Such activities with related parties are identified as follows:

<u>Loans</u> - At December 31, 2020 and 2019, there were $1,164,449 and $1,187,989, respectively, in loans to such related borrowers.

<u>Unfunded Commitments</u> - At December 31, 2020 and 2019, the Company had $748,551 and $725,011, respectively, in unfunded commitments to related parties, of which $150,000 represents unfunded letters of credit for both years.

<u>Deposits</u> - The Company held deposits from related parties of $6,782,557 and $5,400,443 at December 31, 2020 and 2019, respectively.

<u>Leases</u> - Related party rent expense in 2020 and 2019 amounted to $605,955 and $525,094, respectively.

NOTE 17 COMMITMENTS AND CONTINGENCIES

Financial Instruments With Off-Balance-Sheet Risk

The Company is a party to various financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit for loans in process, commercial lines of credit, overdraft protection lines, and standby letters of credit at both fixed and variable rates of interest. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of the involvement the Company has in particular classes of financial instruments. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making these commitments and conditional obligations as it does for on-balance-sheet instruments.

The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

In addition, credit limits have been established for Advantage’s factoring customers. Case-by-case decisions are made on all receivables presented to Advantage for advances regardless of a customer’s unadvanced available credit limit.

The following is a summary of the various financial instruments whose contract amounts represent credit risk at December 31:

	2020	2019
Commitments to extend credit - Bank	$ 89,261,319	$ 87,794,867
Unadvanced available credit - Advantage	$ 107,911,200	$ 76,716,771
Standby letters of credit - Bank	$ 6,487,544	$ 6,384,112

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 fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. Guidance lines are not included in the above commitment amounts.

The unfunded commitments for Advantage represent available balances for additional receivable purchases from approved customers.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers.

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Commitments

Future minimum lease commitments by year and in the aggregate under noncancelable related party operating leases are as follows:

For the Year Ending December 31,	Amount
2021	$ 480,305
2022	431,349
2023	439,976
2024	218,066
Thereafter	1,238,305
Total	$ 2,808,001

The Company maintains lease agreements for a Bank branch with leased office space of 13,564 square feet. The original lease terms for such leases ranged from four to five years with stated renewal options. Rent expense for all operating leases of premises and operating leases of equipment in 2020 and 2019 amounted to $624,873 and $621,621, respectively.

NOTE 18 REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators, which if undertaken, could have a direct material effect on the Bank's financial statements.

Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

In July 2013, the Federal Reserve Bank of Dallas published final rules for the adoption of the Basel III regulatory capital framework (the "Basel III Capital Rules"). The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" (CET1), (ii) specify that Tier 1 capital consists CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments as compared to existing regulations.

Additionally, the Basel III Capital Rules require that the Bank maintain a capital conservation buffer with respect to each of the CET1, Tier 1 and total capital to risk-weighted assets, which provides for capital levels that exceed the minimum risk-based capital adequacy requirements. The capital conservation buffer is added to the 4.5% CET1 capital ratio, the 6.0% Tier 1 capital ratio and the 8.0% total capital ratio as that buffer is phased in, effectively increasing the respective minimum capital ratios.

NOTE 18 REGULATORY MATTERS (CONTINUED)

The capital conservation buffer is subject to a three-year phase-in period that began on January 1, 2016 and was fully phased in on January 1, 2019 at 2.5%. The required phase-in capital conservation buffer during 2019 was 2.50%. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as set forth in the following tables of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. 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 Company's financial statements. As of December 31, 2020, management believes that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category.

The Basel III Capital rules became effective for the Company on January 1, 2015 with certain transition provisions fully phased in on January 1, 2019.

The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019 are also presented as follows:

	Actual		Minimum Capital Basel III Phase-In		Required to be Considered Well Captialized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
2020						
Total Risk-based Capital (to Risk-Weighted Assets)	$ 88,164,000	14.6%	$ 63,255,570	10.5%	$ 60,243,400	10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 80,811,000	13.4%	$ 51,206,890	8.5%	$ 48,194,720	8.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 80,811,000	13.4%	$ 42,170,380	7.0%	$ 39,158,210	6.5%
Tier I Leverage (to Average Total Assets)	$ 80,811,000	10.1%	$ 32,079,600	4.0%	$ 40,099,500	5.0%
2019						
Total Risk-based Capital (to Risk-Weighted Assets)	$ 81,785,000	14.1%	$ 61,106,745	10.5%	$ 58,196,900	10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 75,097,000	12.9%	$ 49,467,365	8.5%	$ 46,557,520	8.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 75,097,000	12.9%	$ 40,737,830	7.0%	$ 37,827,985	6.5%
Tier I Leverage (to Average Total Assets)	$ 75,097,000	10.0%	$ 30,043,000	4.0%	$ 37,552,850	5.0%

The above minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was phased in from 0.0% for 2015 to 2.50% by 2020. The net unrealized gain or loss on available-for-sale securities is included in computing regulatory capital.

NOTE 18 REGULATORY MATTERS (CONTINUED)

Dividend Restrictions

In the ordinary course of business, the Company is dependent upon dividends from the Bank to provide for the payment of distributions for taxes as well as for return on the investment to the shareholders, and other cash requirements. During 2020 and 2019, the Company distributed $5,073,126 and $3,799,574, respectively, to shareholders.

Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared and paid by the Bank would cause the regulatory capital of the Bank to fall below specified minimum levels.

Restrictions on Lending from Subsidiary to Parent

Federal law imposes certain restrictions limiting the ability of the Bank to transfer funds to the Company in the forms of loans or advances. Section 23A of the Federal Reserve Act prohibits the

Bank from making loans or advances to the Company in excess of 10% of its capital stock and surplus, as defined therein. There were no such loans or advances outstanding at December 31, 2020 and 2019.

NOTE 19 FAIR VALUE DISCLOSURES

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach, and or/the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability.

Fair Value Hierarchy

U.S. GAAP specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are observable or unobservable. These inputs are summarized in the three broad levels listed below.

Level 1 - Level 1 inputs are based upon unadjusted quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 - Level 2 inputs are based upon other significant observable inputs (including quoted prices in active or inactive markets for similar assets or liabilities), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of a financial instrument.

Level 3 - Level 3 inputs are based upon unobservable inputs reflecting management's assumptions that are supported by little or no market activity and that are significant to the fair value of the asset and liability.

NOTE 19 FAIR VALUE DISCLOSURES (CONTINUED)

During the years ended December 31, 2020 and 2019, there were no transfers of assets or liabilities within the levels of the fair value hierarchy.

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 observable market-based parameters as inputs. Valuation adjustments may be made to ensure that assets and liabilities are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and creditworthiness, the underlying value of collateral pledged to loans, and other unobservable parameters. Any such valuation adjustments are applied consistently over time.

The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. 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 assets or liabilities could result in a different estimate of fair value at the reporting date.

Financial Instruments Recorded at Fair Value

Recurring - The following table summarizes financial instruments measured at fair value on a recurring basis as of December 31, 2020 and 2019. There were no financial instruments measured at fair value on a recurring basis using Level 1 or Level 3 valuations inputs at December 31.

	2020	2019
Level 2:		
Securities available for sale	$ 153,054,838	$ 112,063,007

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2020 and 2019.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Nonrecurring - Nonrecurring measurement applies to instruments that 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. At December 31, 2020 and 2019, the Company held no financial instruments measured at fair value on a nonrecurring basis with Level 1 or Level 2 (changed as a collateral based Fair Value considered level 3) valuation inputs.

NOTE 19 FAIR VALUE DISCLOSURES (CONTINUED)

Nonfinancial Assets and Nonfinancial Liabilities Recorded at Fair Value

At December 31, 2020 and 2019, the Company has no nonfinancial assets or nonfinancial liabilities measured at fair value on a recurring or nonrecurring basis.

NOTE 20 SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and/or disclosure through March 25, 2021, the date these consolidated financial statements were available to be issued.

CENTRAL BANCSHARES, INC.
SCHEDULE I - COMPUTATIONS OF ADJUSTED NET WORTH AND LIQUIDITY REQUIREMENTS
DECEMBER 31, 2020 AND 2019

	2020
FHA originations during calendar year	$ -
FHA servicing portfolio at December 31	-
Total Adjusted FHA Loan Activity	$ -
Net worth required baseline	$ 1,000,000
Additional net worth required	-
Subtotal	1,000,000
Total minimum net worth required	1,000,000
Stockholders' equity, ending balance	86,747,946
Less: unacceptable assets	8,193,880
Adjusted net worth	78,554,066
Adjusted net worth above required minimum amount	$ 77,554,066

	2019
Cash and cash equivalents	$ 36,413,424
Total of liquid assets per HUD guidelines	36,413,424
Less: liquid assets required	200,000
Liquid assets above required minimum amount	$ 36,213,424

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Management of
Central Bancshares, Inc. and Subsidiaries
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Central Bancshares, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Bancshares, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Bancshares, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Central Bancshares, Inc. and Subsidiaries' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by the Board of Directors and management.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Bancshares, Inc. and Subsidiaries' financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

March 25, 2021

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR MAJOR HUD PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE *CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS*

To the Board of Directors and Management of
Central Bancshares, Inc. and Subsidiaries
Houston, Texas

Report on Compliance for Major HUD Program

We have audited Central Bancshares, Inc. and Subsidiaries' compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on each of Central Bancshares, Inc. and Subsidiaries' major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2020. Central Bancshares, Inc. and Subsidiaries' major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Federal Housing Authority – Title II Insurance Program	Quality Control Plan; Lender Annual Recertification, Adjusted Net Worth, and Liquidity, Licensing

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Central Bancshares, Inc. and Subsidiaries major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide.

Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Central Bancshares, Inc. and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for a major HUD program. However, our audit does not provide a legal determination of Central Bancshares, Inc. and Subsidiaries' compliance.

To the Board of Directors and Management of
Central Bancshares, Inc. and Subsidiaries
Re: Independent Auditors' Report on Compliance

Opinion on Major HUD Program

In our opinion, Central Bancshares, Inc. and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended December 31, 2020.

Other Matters

We noted certain matters that we are required to report to management of Central Bancshares, Inc. and Subsidiaries in a separate written communication. These matters are described in our management letter dated March 25, 2021.

Report on Internal Control Over Compliance

Management of Central Bancshares, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Bancshares, Inc. and Subsidiaries' internal control over compliance with the requirements that could have a direct and material effect on a major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Bancshares, Inc. and Subsidiaries' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by the Board of Directors and management.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

March 25, 2021

SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS

To the Board of Directors and Management of
Central Bancshares, Inc. and Subsidiaries
Houston, Texas

Our audit disclosed that no findings are required to be reported herein under the HUD Consolidated Audit Guide.

Briggs & Veselka Co.
Houston, Texas

March 25, 2021