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, Keith Moore
Name of the Holding Company Director and Official

President, Director
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

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

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

Reporter's Name, Street, and Mailing Address

First West Texas Bancshares, Inc.
Legal Title of Holding Company

6 Desta Drive, Suite 2400
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Midland	TX	79705

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Elena Levario	Assistant Controller

432-685-6500
Area Code / Phone Number / Extension

432-685-6500
Area Code / FAX Number

elevario@wtnb.com
E-mail Address

www.wtnb.com
Address (URL) for the Holding Company's web page

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

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

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

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

For Use By Tiered Holding Companies

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

N/A

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)

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)

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)

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)

Form FR Y-6

FIRST WEST TEXAS BANCSHARES, INC
MIDLAND, TX
Fiscal Year Ending 12/31/2020
RSSD: 1109834

TABLE OF CONTENTS

FIRST WEST TEXAS BANCSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

together with

REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

WTNB
West Texas National Bank™
MEMBER FDIC EQUAL HOUSING LENDER 877.493.7862 | WTNB.com

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES

CONTENTS

Independent Auditor's Report

To the Board of Directors and Shareholders of
First West Texas Bancshares, Inc. and Subsidiaries
Midland, Texas

Report on the Consolidated Financial Statements and Internal Control Over Financial Reporting
We have audited the accompanying consolidated financial statements of First West Texas Bancshares, Inc. and Subsidiaries (the Company) which comprises the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements. We also have audited the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and Consolidated Reports of Condition and income for a Bank with Domestic Offices Only (Call Report instructions), as of December 31, 2020, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Consolidated Financial Statements and Internal Control over Financial Reporting
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control over Financial Reporting.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements and an opinion on First West Texas Bancshares, Inc. and Subsidiaries' internal control over financial reporting based on our audits. We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of the consolidated financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of consolidated financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exits. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, with the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only (Call Report Instructions). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First West Texas 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 conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 46 through 59 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Eide Bailly LLP

Abilene, Texas
March 10, 2021

West Texas National Bank

First West Texas Bancshares, Inc.
6 Desta Drive
Suite 2400
Midland, Texas 79705-5525

Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control Over Financial Reporting

Statement of Management's Responsibilities

The management of First West Texas Bancshares, Inc. and Subsidiaries (Company) is responsible for preparing the Company's annual consolidated financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only (Call Report instructions); and for complying with the Federal laws and regulations pertaining to insider loans and the Federal and State laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance With Designated Laws and Regulations

The management of the Company has assessed the Company's compliance with the Federal laws and regulations pertaining to insider loans and the Federal and State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2020. Based upon its assessment, management has concluded that the Company complied with the Federal laws and regulations pertaining to insider loans and the Federal and State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2020.

Management's Assessment of Internal Control Over Financial Reporting

The Company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only (Call Report instructions). The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and those charged with governance of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

West Texas National Bank

First West Texas Bancshares, Inc.
6 Desta Drive
Suite 2400
Midland, Texas 79705-5525

Management of the Company is responsible for designing, implementing, and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only (Call Report instructions), as of December 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control—Integrated Framework.* Based upon its assessment, management has concluded that, as of December 31, 2020, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only (Call Report instructions), is effective based on the criteria established in the 2013 *Internal Control—Integrated Framework.*

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's independent public accounting firm, Eide Bailly LLP, has audited the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only (Call Report instructions), as of December 31, 2020, as stated in their report dated March 10, 2021.

First West Texas Bancshares, Inc. and Subsidiaries

R. Keith Moore
President

03-10-21
Date

C.J. Edgmon
Chief Financial Officer

March 10, 2021
Date

This page intentionally left blank

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Condition
December 31, 2020 and 2019

Assets	2020	2019
Cash and due from banks	$ 15,917,164	$ 16,733,314
Interest bearing deposits in banks	225,701,443	189,236,366
Securities available for sale, at fair value	281,240,702	354,482,197
Equity securities	72,490	85,740
Investment in partnerships	11,957,048	11,557,226
Investment in statutory trusts	681,000	681,000
Loans receivable, net of allowance for loan losses of $14,168,092 in 2020 and $12,166,935 in 2019	795,367,207	774,544,044
Accrued interest receivable	4,503,363	5,308,391
Premises and equipment	10,361,067	10,133,119
Cash surrender value of life insurance	15,833,102	16,400,216
Goodwill	8,986,815	8,986,815
Restricted investments held at cost	4,417,600	4,046,200
Other assets	1,722,643	1,289,644
	$ 1,376,761,644	$ 1,393,484,272
Liabilities and Shareholders' Equity		
Noninterest bearing	$ 553,441,570	$ 624,029,263
Interest bearing	654,802,624	603,557,587
Total deposits	1,208,244,194	1,227,586,850
Accrued expenses and other liabilities	5,096,550	5,576,993
Long term debt	7,012,500	14,805,000
Subordinated debentures	22,681,000	22,681,000
Total liabilities	1,243,034,244	1,270,649,843
Shareholders' Equity		
Common stock, $1 par value; 1,000,000 shares authorized; 443,318 shares issued; 441,773 and 441,793 shares outstanding in 2020 and 2019, respectively	443,318	443,318
Capital surplus	54,813,663	54,813,663
Retained earnings	70,476,808	64,319,324
Treasury stock, at cost	(166,639)	(165,452)
Net unrealized appreciation on available for sale securities	8,160,250	3,423,576
Total shareholders' equity	133,727,400	122,834,429
	$ 1,376,761,644	$ 1,393,484,272

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

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Income
Years ended December 31, 2020 and 2019

	2020	2019
Interest income		
Loans, including fees	$ 38,350,095	42,993,790
Debt securities		
Taxable	3,835,430	6,611,418
Tax exempt	2,555,008	2,678,228
Equity Securities	3,200	2,278
Deposits with banks	956,667	2,380,669
Total interest income	45,700,400	54,666,383
Interest expense		
Deposits	2,389,922	4,722,437
Federal funds purchased	63	6,896
Long term debt	416,330	929,914
Subordinated debentures	624,566	958,279
Total interest expense	3,430,881	6,617,526
Net interest income	42,269,519	48,048,857
Provision for loan losses	9,657,000	8,407,000
Net interest income after provision for loan losses	32,612,519	39,641,857
Noninterest income		
Service charges on deposit accounts	1,449,013	1,782,261
Other service charges and fees	1,885,042	2,513,527
Net realized loss on sale of premises and equipment	300	6,500
Net appreciation in cash surrender value of life insurance	362,733	418,853
Other income	410,935	692,527
Total noninterest income	4,108,023	5,413,668
Noninterest expenses		
Salaries and employee benefits	14,171,118	13,919,790
Occupancy and equipment expense	4,046,606	3,726,496
Advertising	562,767	745,671
Data processing	3,629,850	2,983,011
Legal and professional	1,357,834	1,263,051
Other expense	3,812,781	3,504,236
Total noninterest expenses	27,580,956	26,142,255
Net income	$ 9,139,586	$ 18,913,270

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

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years ended December 31, 2020 and 2019

	2020	2019
Net income	$ 9,139,586	$ 18,913,270
Other items of comprehensive income		
Change in unrealized appreciation on investment securities available for sale	4,736,674	10,747,024
Reclassification of unrealized prior year loss on equity securities related to the adoption of ASU 2016-01	-	11,217
Total other items of comprehensive income	4,736,674	10,758,241
Comprehensive income	$ 13,876,260	$ 29,671,511

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

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Years ended December 31, 2020 and 2019

	Common Stock	Capital Surplus
Balance at January 1, 2019	$ 443,318	$ 54,813,663
Net income	-	-
Dividends paid	-	-
Reclassification of net unrealized loss on equity securities related to the adoption of ASU 2016-01	-	-
Other comprehensive income	-	-
Balance at December 31, 2019	443,318	54,813,663
Net income	-	-
Dividends paid	-	-
Purchase of treasury stock, at cost	-	-
Other comprehensive income	-	-
Balance at December 31, 2020	$ 443,318	$ 54,813,663

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

Retained Earnings		Treasury Stock		Net Unrealized Appreciation (Depreciation) on Available for Sale Securities		Total Shareholders' Equity
$ 50,937,302	$	(165,452)	$	(7,334,665)	$	98,694,166
18,913,270		-		-		18,913,270
(5,531,248)		-		-		(5,531,248)
-		-		11,217		11,217
-		-		10,747,024		10,747,024
64,319,324		(165,452)		3,423,576		122,834,429
9,139,586		-		-		9,139,586
(2,982,102)		-		-		(2,982,102)
-		(1,187)		-		(1,187)
-		-		4,736,674		4,736,674
$ 70,476,808	$	(166,639)	$	8,160,250	$	133,727,400

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net income	$ 9,139,586	$ 18,913,270
Adjustments to reconcile net income to		
net cash provided by operating activities		
Provision for loan losses	9,657,000	8,407,000
Net amortization of securities	1,366,391	1,338,886
(Gain) loss on equity securities	13,250	(14,553)
Depreciation	1,040,296	980,327
Net gain on sale of premises and equipment	(300)	(6,500)
Net appreciation in cash surrender value of life insurance	567,114	(390,073)
Net change in		
Accrued interest receivable	805,028	1,033,209
Other assets	(432,999)	308,455
Accrued expenses and other liabilities	(480,444)	(533,125)
Net cash provided by operating activities	21,674,922	30,036,896
Cash flows from investing activities		
Net change in interest bearing deposits in banks	(36,465,077)	14,924,880
Activity in available for sale securities		
Maturities, prepayments and calls	145,187,985	166,090,062
Purchases	(68,576,207)	(33,269,150)
Purchase of Federal Home Loan Bank Stock	(371,400)	(27,900)
Activity in other investments in partnerships		
Distributions and withdrawals	160,146	-
Purchases	(559,968)	(4,139,394)
Loan originations and principal collections, net	(30,480,163)	(105,849,707)
Proceeds from sales of premises and equipment	300	6,500
Additions to premises and equipment	(1,268,243)	(887,730)
Net cash provided by investing activities	7,627,373	36,847,561
Cash flows from financing activities		
Net decrease in deposits	(19,342,656)	(56,108,818)
Repayment of long term debt	(7,792,500)	(1,895,000)
Purchase of treasury stock	(1,187)	-
Dividends paid	(2,982,102)	(8,365,863)
Net cashused by financing activities	(30,118,445)	(66,369,681)
Net change in cash and cash equivalents	(816,150)	514,776
Cash and cash equivalents at beginning of year	16,733,314	16,218,538
Cash and cash equivalents at end of year	$ 15,917,164	$ 16,733,314
Supplementary cash flow information		
Interest paid	$ 3,656,716	$ 6,634,148
Change in value of available for sale securities	(4,736,674)	(10,747,024)
Reclassification of unrealized prior year loss on equity securities	-	(11,217)

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

Note 1: Summary of Significant Accounting Policies

Nature of Operations

First West Texas Bancshares, Inc. (the Company) and its subsidiary, West Texas National Bank (the Bank), provide loans and banking services to consumers and commercial customers throughout West Texas. The accounting and reporting policies of the Company conform with U.S. generally accepted accounting principles and to general practices of the banking industry. Policies and practices which materially affect the determination of financial position, results of operations and cash flows are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial position and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within the Texas cities of Midland and Odessa, and their surrounding areas. Note 2 discusses the types of securities in which the Company invests. Note 3 discusses the types of lending in which the Company engages. The Company does not have any significant concentrations to any one industry or customer.

The Company carries certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits. At December 31, 2020 and 2019, the deposits (including certificates of deposits), as reported by the banks, were $1,717,087 and $4,274,587, respectively. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Company.

Cash and Cash Equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents are defined as those amounts included in the statement of financial condition captions cash and due from banks and federal funds sold. Generally, federal funds are purchased and sold in one-day periods.

The Company is required to maintain average balances on hand or with the Federal Reserve Bank. The Company properly maintained amounts in excess of required reserves of $0 as of December 31, 2020 and 2019.

Interest Bearing Deposits in Banks

Interest bearing deposits in banks mature within one year and are carried at cost with the exception of certain certificates of deposits.

Note 1: Summary of Significant Accounting Policies – continued

Debt Securities

Debt securities are classified as available-for-sale or held-to-maturity. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Securities, which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and are carried at amortized cost. The Company had no held-to-maturity securities at December 31, 2020 or 2019.

Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the period to maturity. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers whether the Company intends to sell the security or will, more likely than not, have to sell the security before its fair value is recovered. If either of these conditions is met, an other-than-temporary impairment is recognized.

Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are recorded at cost and evaluated for impairment and written down if impairment exists.

Loans

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout West Texas. The ability of the Company's debtors to honor their contracts is dependent upon the general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off which are measured at historical cost are generally reported at their outstanding unpaid principal balances net of any unearned income, charge-offs, and unamortized deferred fees and costs on originated loans. Interest income is accrued on the unpaid principal balance. Under generally accepted accounting principles, loan origination fees and certain direct origination costs are deferred and recognized as adjustments to interest income over the lives of the related loans. Management believes not deferring such fees and costs and amortizing them over the life of the related loan does not materially affect the Company's financial position or results of operations. Unearned income is amortized to interest income using a level yield methodology.

The Company makes disclosures of loans and other financing receivables and the related allowance in accordance with ASC 310. The guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses, and a class of financing receivables as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. The Company's portfolio segments are real estate, agriculture, commercial, consumer and home equity. Each portfolio segment contains a single class of financing receivables. Under this accounting guidance, the allowance is presented by portfolio segment.

Note 1: Summary of Significant Accounting Policies – continued

Troubled Debt Restructured Loans

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

Allowance for Loan Losses

The allowance for credit losses, which includes the allowance for loan losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Company's lending activities. The allowance for loan losses does not include amounts related to accrued interest receivable as accrued interest receivable is reversed when a loan is placed on nonaccrual status.

The allowance for loan losses represents the estimated probable credit losses in funded consumer and commercial loans while the reserve for unfunded lending commitments, including standby letters of credit and binding unfunded loan commitments, represents estimated probable credit losses on these unfunded credit instruments based on utilization assumptions. Credit exposures deemed to be uncollectible are charged against these accounts. Cash recovered on previously charged off amounts is recorded as a recovery to these accounts. Management evaluates the adequacy of the allowance for loan losses based on the combined total of these two components.

The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectability of those portfolios. The allowance on certain homogeneous loan portfolios is based on aggregated portfolio segment evaluations. Loss forecast models are utilized for these portfolios which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, bankruptcies, economic conditions and credit scores.

The Company's real estate portfolio segment is comprised primarily of homogeneous loans secured by residential and commercial real estate. The amount of losses incurred in the homogeneous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. Using modeling methodologies, the Company estimates how many of the homogeneous loans will default based on the individual loans' attributes aggregated into pools of homogeneous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include the risk ratings, historical loss, product type, and geography. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data in real estate values, local and national economies, underwriting standards and the regulatory environment.

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

Note 1: Summary of Significant Accounting Policies – continued

Allowance for Loan Losses – continued

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

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

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

In addition to the allowance for loan losses, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Company’s internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, utilization assumptions, current economic conditions, performance trends within the portfolio and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

The allowance for credit losses related to the loan portfolio is reported as a part of loans in the consolidated statement of financial condition whereas the reserve for unfunded lending commitments is reported on the consolidated statement of financial condition in accrued expenses and other liabilities. Provision for credit losses related to the loan portfolio and unfunded lending commitments is reported separately in the consolidated statement of income.

Note 1: Summary of Significant Accounting Policies – continued

Nonperforming Loans, Charge-Offs and Delinquencies

Nonperforming loans generally include loans that have been placed on nonaccrual status including nonaccrual loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties.

The entire balance of a loan is contractually delinquent if the minimum payment is not received by the specified due date on the customer's billing statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

The outstanding balance of real estate secured loans within the residential real estate portfolio segment that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The outstanding balance of real estate secured loans within the commercial real estate portfolio segment that is in excess of the present value of future cash flows discounted at the loan's effective rate, or as a practical expedient for collateral dependent loans, is charged off no later than the end of the month in which the account is determined to be impaired. The estimated property value is determined utilizing appraisals or broker price opinions of the fair value of the collateral. The present value of future cash flows is calculated in accordance with the guidance outlined in ASC 310-10.

The outstanding balance of consumer and other loans, that include overdrafts and credit cards, are treated in accordance with OCC Bulletin 2000-20, Uniform Retail Credit Classification and Account Management. Overdrafts are charged-off when it is determined recovery is not likely or the overdraft becomes 45 days old, whichever comes first.

The outstanding balance of secured commercial loans, are written down to the fair value of the collateral upon determination that all or a portion of any loan balance is uncollectible. The fair value of the collateral is estimated by management based on current financial information, inspections, and appraisals. The outstanding balance of unsecured commercial loans are charged off no later than the end of the month in which the account becomes 120 days past due.

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

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

Note 1: Summary of Significant Accounting Policies – continued

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished and, for loan participations sold, incoming cash flows on the base loan are allocated to all participants on a pro-rata basis. Control over transferred assets is deemed to be relinquished when the assets have been isolated from the Company, 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 the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, property held for sale is carried at the lower of the new cost basis or fair value less cost to sell and depreciation is not recorded. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value and depreciated based on the remaining useful life. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

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

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases, if shorter.

Goodwill

Goodwill is the excess of the purchase price over fair value of identifiable net assets acquired in a business combination. Under ASC Topic 350, goodwill of a reporting unit is not amortized but is tested for impairment on an annual basis, or between annual tests if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying amount. The Company's goodwill impairment assessment in 2020 and 2019 concluded no impairment existed. Any future impairment will be recorded as noninterest expense.

Note 1: Summary of Significant Accounting Policies – continued

Treasury Stock

Treasury stock is accounted for on the cost method and consists of 1,545 and 1,525 shares in 2020 and 2019, respectively.

Cash Surrender Value of Life Insurance

Life insurance policies are initially recorded at cost at the date of purchase. Subsequent to purchase, the policies are periodically adjusted for contract value. The adjustment to contract value increases or decreases the carrying value of the policies and is recorded as an income or expense on the consolidated statement of income.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2020 or 2019 amounted to $562,767 and $745,671, respectively.

Restricted Investments Held at Cost

The Company owns stock in several entities that are restricted from sale or have limitations on redemptions imposed by the entities. Many times, the entities require a minimum level of investment to conduct business with the entity. The investments are carried at cost.

Federal Home Loan Bank Stock

The Company's investment in Federal Home Loan Bank (FHLB) stock is a restricted investment carried at cost ($100 per share par value). As a member of the FHLB system, the Company is required to maintain a minimum level of investment in FHLB stock based on specific percentages of its outstanding FHLB advances. The Company may request redemption at par value of any stock in excess of the amount it is required to hold. Stock redemptions are made at the discretion of FHLB. The net investment of purchases and redemptions totaled $1,583,100 and $1,211,700 for the years ended December 31, 2020 and 2019, respectively.

Federal Reserve Bank Stock

The Company's investment in Federal Reserve Bank stock is a restricted investment carried at cost ($50 per share par value). The net investment of purchases and redemptions totaled $2,763,000 for the years ended December 31, 2020 and 2019.

Investment in Partnerships

In 2006, the Company purchased a partnership interest in Lone Star Growth Capital, L.P. for $300,000 and committed to purchase a total of $1,000,000 as requested from the partnership. At December 31, 2020 and 2019, the carrying value of the investment in the partnership was $1,559,360. The carrying value includes gains in prior years of $699,360 and a capital contribution of $860,000.

In 2011, the Company purchased a partnership interest in Valesco Commerce Street Capital, L.P. for $177,565 and committed to purchase a total of $1,500,000. At December 31, 2020, the carrying value of the investment in the partnership was $232,408. At December 31, 2019, the carrying value of the investment in the partnership was $392,554.

Note 1: Summary of Significant Accounting Policies – continued

Investment in Partnerships - continued

In 2013, the Company purchased a partnership interest in Lone Star Opportunity Fund V, L.P. for $100,000 and committed to purchase a total of $1,000,000. At December 31, 2020 and 2019, the carrying value of the investment in the partnership was $1,000,000.

In 2013, the Company purchased a partnership interest in Pharos Capital Partners III-A, L.P. for $110,000 and committed to purchase a total of $1,000,000. At December 31, 2020, the carrying value of the investment in the partnership was $880,000. At December 31, 2019, the carrying value of the investment in the partnership was $775,000.

In 2014, the Company purchased a partnership interest in Bluehenge Secured Debt SBIC, L.P. for $272,727 and committed to purchase a total of $3,000,000. At December 31, 2020 and 2019, the carrying value of the investment in the partnership was $2,774,407.

In 2016, the Company purchased a partnership interest in Valesco Fund II, L.P. for $104,519 and committed to purchase a total of $4,000,000. At December 31, 2020, the carrying value of the investment in the partnership was $2,058,271. At December 31, 2019, the carrying value of the investment in the partnership was $1,603,303.

In 2016, the Company purchased a partnership interest in Solomon Hess SBA Loan Fund LLC for $650,000 and committed to purchase a total of $3,450,000. At December 31, 2020 and 2019 the carrying value of the investment in the partnership was $3,450,000.

Derivatives

Derivatives are recognized as assets and liabilities on the consolidated statement of financial condition and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Derivative Loan Commitments

Mortgage loan commitments that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance (FASB ASC 815, *Derivatives and Hedging).* Loan commitments that are derivatives are recognized at fair value on the consolidated statement of financial condition in other assets and other liabilities with changes in their fair values recorded in noninterest income.

Note 1: Summary of Significant Accounting Policies – continued

Forward Loan Sale Commitments

The Company carefully evaluates all loan sales agreements to determine whether they meet the definition of a derivative under the derivatives and hedging accounting guidance (FASB ASC 815) as facts and circumstances may differ significantly. If agreements qualify, to protect against the price risk inherent in derivative loan commitments, the Company utilizes "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

Accordingly, forward loan sale commitments are recognized at fair value on the consolidated statement of financial condition in other assets and liabilities with changes in their fair values recorded in other noninterest income.

The Company estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

Income Taxes

The Company has elected under the Internal Revenue Code to be taxed as an S Corporation. In lieu of corporation income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in net income.

The Company files a United States federal income tax return as well as a state franchise return in Texas. The Company is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2017.

The Company accounts for uncertainty in income taxes in accordance with the provisions of ASC 740 Accounting for Uncertainty in Income Taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by tax authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Revenue Recognition

Interest income and expense is recognized on the accrual method based on the respective outstanding balances. Other revenue is recognized at the time the service is rendered or transactions occur.

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

Note 1: Summary of Significant Accounting Policies – continued

Revenue Recognition - continued

Other service charges and fees: The Company earns interchange fees from debit and credit cardholder transactions conducted through the 3rd party payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Adoption of Accounting Standards Codification Topic 606

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

Adoption of Accounting Standards Codification Topic 321

Effective January 1, 2019, the Company adopted the new accounting guidance for financial instruments in Accounting Standards Update No. 2016-01, Financial Instruments (Topic 321), which requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The adoption of this guidance resulted in an $11,217 decrease to beginning retained earnings and an $11,217 increase to beginning accumulated other comprehensive income for the year ended December 31, 2019.

Note 2: Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses at December 31, 2020 and 2019 follows:

	December 31, 2020			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt Securities				
Mortgage-backed - government	$ 100,054,221	$ 3,191,587	-	$ 103,245,808
Municipal government obligation	173,026,231	4,991,249	(22,586)	177,994,894
Total debt securities	$ 273,080,452	$ 8,182,836	(22,586)	$ 281,240,702

	December 31, 2019			
Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt Securities				
U.S. government and agency	$ 59,993,146	$ -	$ (167,832)	$ 59,825,314
Mortgage-backed - government	132,755,746	1,165,179	(405,464)	133,515,461
Municipal government obligation	123,286,802	2,864,092	(111,457)	126,039,437
U.S. treasury securities	35,022,927	79,058	-	35,101,985
Total debt securities	$ 351,058,621	$ 4,108,329	(684,753)	$ 354,482,197

For the years ended December 31, 2020 and 2019, there were no sales of securities available for sale. At December 31, 2020 and 2019, there were no securities pledged to secure public deposits. The amortized cost and fair value of debt securities by contractual maturity at December 31, 2020, follows:

	Amortized Cost	Fair Value
Due in one year or less	$ 14,414,131	$ 14,436,945
Due from one to five years	62,606,207	64,186,311
Due from five to ten years	87,018,860	90,118,358
After ten years	8,987,033	9,253,280
Mortgage-backed securities	100,054,221	103,245,808
	$ 273,080,452	$ 281,240,702

Note 2: Securities – continued

Temporarily impaired securities

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2020 and 2019.

	December 31, 2020			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Municipal government obligation	$ 10,188,086	$ (22,586)	$ -	$ -
Total	$ 10,188,086	$ (22,586)	$ -	$ -

	December 31, 2019			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government and agency	$ -	$ -	$ 59,825,313	$ (167,832)
Mortgage-backed - government	12,688,483	(68,375)	20,906,686	(337,089)
Municipal government obligation	5,059,210	(78,908)	15,919,304	(32,549)
Total	$ 17,747,693	$ (147,283)	$ 96,651,303	$ (537,470)

Municipal government obligations

The unrealized losses on the Company’s investment in municipal government obligations securities were caused by interest rate increases. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company’s investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2020 and 2019.

Note 2: Securities – continued

Mortgage-backed securities

The unrealized losses on the Company's investment in mortgage-backed securities were caused by interest rate increases and increases in prepayment speeds. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and increases in prepayment speeds and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2020 and 2019.

U.S. Government and agency

The unrealized losses on the Company's investment in U.S. government and agency securities were caused by interest rate increases. The Company purchased those investments at a discount relative to their face amount, and the contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2020 and 2019.

Other-than-temporary impairment

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) evaluation by the Company of (a) its intent to sell a debt security prior to recovery and (b) whether it is more likely than not the Company will have to sell the debt security prior to recovery. As of December 31, 2020 and 2019, no investment securities were other-than-temporarily impaired.

Note 3: Loans

A summary of the balances of loans follows:

	December 31, 2020	December 31, 2019
Real estate	$ 459,489,571	$ 401,499,308
Agriculture	6,883,630	10,973,539
Commercial	336,981,498	365,604,518
Consumer	6,180,600	8,146,644
Home equity	-	486,970
	809,535,299	786,710,979
Less: Allowance for loan losses	(14,168,092)	(12,166,935)
Loans, net	$ 795,367,207	$ 774,544,044

Note 3: Loans – continued

In March 2020, the United States government passed a piece of legislation designed to help the nation's economy recover from the coronavirus disease 2019 ("COVID-19") pandemic. This legislation is called the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") which provides economy-wide financial stimulus in the form of financial aid to individuals, businesses, nonprofit entities, states and municipalities. The CARES Act temporarily added a new product titled the "Paycheck Protection Program," (PPP) to the U.S. Small Business Administration's loan program. The CARES Act permits the SBA to guarantee 100 percent of these loans and also provides for forgiveness of up to the full principal amount of these loans. As of December 31, 2020, the Company originated $51,891,191 in PPP loans of which $44,282,616 was outstanding at December 31, 2020. Additionally, the Company recognized $1,592,207 of PPP loan fees in interest income during the year ended December 31, 2020.

The following table sets forth information regarding the activity in the allowance for loans losses for the year ended December 31, 2020 (in thousands):

	December 31, 2020					
	Real Estate	Agriculture	Commercial	Consumer	Home Equity	Total
Allowance for credit losses:						
Beginning balance	$ 3,673	$ 89	$ 8,200	$ 201	$ 4	$ 12,167
Charge-offs	(5)	(97)	(7,588)	(165)	-	(7,855)
Recoveries	43	94	8	54	-	199
Provision	1,764	36	7,794	67	(4)	9,657
Ending balance	$ 5,475	$ 122	$ 8,414	$ 157	$ -	$ 14,168
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ -	$ 3	$ -	$ 3
Ending balance allocated to loans collectively evaluated for impairment	$ 5,475	$ 122	$ 8,414	$ 154	$ -	$ 14,165
Loans receivable						
Ending balance of loans individually evaluated for impairment	$ 1,547	$ -	$ 6,390	$ 35	$ -	$ 7,972
Ending balance of loans collectively evaluated for impairment	457,943	6,884	330,591	6,145	-	801,563
Ending balance	$ 459,490	$ 6,884	$ 336,981	$ 6,180	$ -	$ 809,535

Note 3: Loans – continued

The following table sets forth information regarding the activity in the allowance for loans losses for the year ended December 31, 2019 (in thousands):

	December 31, 2019					
	Real Estate	Agriculture	Commercial	Consumer	Home Equity	Total
Allowance for credit losses:						
Beginning balance	$ 7,050	$ 1,228	$ 1,169	$ 564	$ 163	$ 10,174
Charge-offs	(38)	-	(7,353)	(182)	-	(7,573)
Recoveries	10	80	977	92	-	1,159
Provision	(3,349)	(1,219)	13,407	(273)	(159)	8,407
Ending balance	$ 3,673	$ 89	$ 8,200	$ 201	$ 4	$ 12,167
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ -	$ 4	$ -	$ 4
Ending balance allocated to loans collectively evaluated for impairment	$ 3,673	$ 89	$ 8,200	$ 197	$ 4	$ 12,163
Loans receivable						
Ending balance of loans individually evaluated for impairment	$ 1,861	$ -	$ 140	$ 30	$ -	$ 2,031
Ending balance of loans collectively evaluated for impairment	399,638	10,974	365,464	8,117	487	784,680
Ending balance	$ 401,499	$ 10,974	$ 365,604	$ 8,147	$ 487	$ 786,711

The Company monitors credit quality within its portfolio segments based on primary credit quality indicators. All of the Company's loans are evaluated using pass rated or reservable criticized as the primary credit quality indicator. The term reservable criticized refers to those loans that are internally classified or listed by the Company as special mention, substandard, doubtful or loss. These assets pose an elevated risk and may have a high probability of default or total loss.

Note 3: Loans – continued

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

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

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

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

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

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

Note 3: Loans – continued

The following tables set forth information regarding the internal classifications of the loan portfolio, the primary credit quality indicator, as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020					
	Internal Loan Grade					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate:						
Construction	$ 103,875	$ -	$ -	$ -	$ -	$ 103,875
Agricultural	17,711	700	409	-	-	18,820
1-4 Residential	199,895	138	525	-	-	200,558
Commercial	129,189	-	7,048	-	-	136,237
Agriculture	6,716	168	-	-	-	6,884
Commercial	292,061	37,329	7,591	-	-	336,981
Consumer	6,134	1	45	-	-	6,180
Home equity	-	-	-	-	-	-
Total	$ 755,581	$ 38,336	$ 15,618	$ -	$ -	$ 809,535

	December 31, 2019					
	Internal Loan Grade					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate:						
Construction	$ 44,339	$ 34	$ -	$ -	$ -	$ 44,373
Agricultural	47,745	-	506	-	-	48,251
1-4 Residential	167,582	261	1,236	-	-	169,079
Commercial	139,786	-	11	-	-	139,797
Agriculture	10,966	-	7	-	-	10,973
Commercial	341,992	11,480	12,132	-	-	365,604
Consumer	8,035	52	60	-	-	8,147
Home equity	487	-	-	-	-	487
Total	$ 760,932	$ 11,827	$ 13,952	$ -	$ -	$ 786,711

Note 3: Loans – continued

The following table sets forth information regarding the credit risk profile based on payment activity of the loan portfolio, as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020 Credit Risk Profile Based on Payment Activity			December 31, 2019 Credit Risk Profile Based on Payment Activity		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Real estate:						
Construction	$ 103,875	$ -	$ 103,875	$ 44,373	$ -	$ 44,373
Agricultural	18,411	409	18,820	47,745	506	48,251
1-4 Residential	199,836	722	200,558	167,735	1,344	169,079
Commercial	135,820	417	136,237	139,786	11	139,797
Agriculture	6,884	-	6,884	10,973	-	10,973
Commercial	330,724	6,257	336,981	365,604	-	365,604
Consumer	6,145	35	6,180	8,116	31	8,147
Home equity	-	-	-	487	-	487
Total	$ 801,695	$ 7,840	$ 809,535	$ 784,819	$ 1,892	$ 786,711

The following table sets forth information regarding the delinquencies within the loan portfolio as of December 31, 2020 (in thousands):

	December 31, 2020					
	Loans Past Due and Still Accruing					
	30-89 Days Past Due	90 Days and Greater	Total	Non Accrual Loans	Current Loans	Total Loans
Real estate:						
Construction	$ -	$ -	$ -	$ -	$ 103,875	$ 103,875
Agricultural	-	-	-	409	18,411	18,820
1-4 Residential	730	-	730	722	199,106	200,558
Commercial	-	-	-	417	135,820	136,237
Agriculture	-	-	-	-	6,884	6,884
Commercial	8,218	-	8,218	6,257	322,506	336,981
Consumer	20	-	20	35	6,125	6,180
Home equity	-	-	-	-	-	-
Total	$ 8,968	$ -	$ 8,968	$ 7,840	$ 792,727	$ 809,535

Note 3: Loans – continued

The following table sets forth information regarding the delinquencies within the loan portfolio as of December 31, 2019 (in thousands):

	December 31, 2019					
	Loans Past Due and Still Accruing					
	30-89 Days Past Due	90 Days and Greater	Total	Non Accrual Loans	Current Loans	Total Loans
Real estate:						
Construction	$ 2,000	$ -	$ 2,000	$ -	$ 42,373	$ 44,373
Agricultural	-	-	-	506	47,745	48,251
1-4 Residential	431	-	431	1,344	167,304	169,079
Commercial	-	-	-	11	139,786	139,797
Agriculture	-	-	-	-	10,973	10,973
Commercial	-	5,186	5,186	-	360,418	365,604
Consumer	70	-	70	31	8,046	8,147
Home equity	-	-	-	-	487	487
Total	$ 2,501	$ 5,186	$ 7,687	$ 1,892	$ 777,132	$ 786,711

A loan is considered impaired, in accordance with the impairment accounting guidance, when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings when concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. There was no interest income recognized on a cash basis on impaired loans in the years ended December 31, 2020 and 2019.

Note 3: Loans – continued

The following table sets forth information regarding impaired loans as of December 31, 2020:

	December 31, 2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Real estate					
Construction	$ -	$ -	$ -	$ -	$ -
Agricultural	408,618	575,171	-	575,171	-
1-4 Residential	722,218	954,363	-	953,847	3,407
Commercial	416,687	459,826	-	478,854	8,156
Agriculture	-	-	-	-	-
Commercial	6,389,785	8,833,953	-	9,232,127	371,390
Consumer	30,317	32,521	-	37,344	2,010
Home equity	-	-	-	-	-
With a related allowance:					
Real estate					
Construction	-	-	-	-	-
Agricultural	-	-	-	-	-
1-4 Residential	-	-	-	-	-
Commercial	-	-	-	-	-
Agriculture	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	5,112	5,174	3,023	8,761	713
Home equity	-	-	-	-	-
Total:					
Real estate					
Construction	-	-	-	-	-
Agricultural	408,618	575,171	-	575,171	-
1-4 Residential	722,218	954,363	-	953,847	3,407
Commercial	416,687	459,826	-	478,854	8,156
Agriculture	-	-	-	-	-
Commercial	6,389,785	8,833,953	-	9,232,127	371,390
Consumer	35,429	37,695	3,023	46,105	2,723
Home equity	-	-	-	-	-
	$ 7,972,737	$ 10,861,008	$ 3,023	$ 11,286,104	$ 385,676

Note 3: Loans – continued

The following table sets forth information regarding impaired loans as of December 31, 2019:

	December 31, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Real estate					
Construction	$ -	$ -	$ -	$ -	$ -
Agricultural	505,521	575,171	-	517,037	-
1-4 Residential	1,343,878	1,531,194	-	1,528,132	4,578
Commercial	11,010	28,411	-	30,238	-
Agriculture	-	-	-	-	-
Commercial	139,748	139,748	-	153,526	11,302
Consumer	26,804	42,135	-	65,484	717
Home equity	-	-	-	-	-
With a related allowance:					
Real estate					
Construction	-	-	-	-	-
Agricultural	-	-	-	-	-
1-4 Residential	153	3,551	153	5,019	-
Commercial	-	-	-	-	-
Agriculture	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	3,737	4,134	3,737	5,102	450
Home equity	-	-	-	-	-
Total:					
Real estate					
Construction	-	-	-	-	-
Agricultural	505,521	575,171	-	517,037	-
1-4 Residential	1,344,031	1,534,745	153	1,533,151	4,578
Commercial	11,010	28,411	-	30,238	-
Agriculture	-	-	-	-	-
Commercial	139,748	139,748	-	153,526	11,302
Consumer	30,541	46,269	3,737	70,586	1,167
Home equity	-	-	-	-	-
	$ 2,030,851	$ 2,324,344	$ 3,890	$ 2,304,538	$ 17,047

Note 3: Loans – continued

The recorded investment in troubled debt restructurings were $229,505 and $243,600 as of December 31, 2020 and 2019, respectively, of which $96,507 was delinquent based on their revised terms at December 31, 2020. The Company has no current commitments to loan additional funds to the borrowers whose loans have been modified. There were no new modifications during the years ended December 31, 2020 or December 31, 2019. There were no defaults of troubled debt restructuring during the years ended December 31, 2020 or 2019.

Note 4: Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31,	
	2020	2019
Land	$ 1,370,482	$ 1,370,482
Bank premises	13,716,628	13,539,035
Furniture and equipment	12,103,761	11,643,268
Construction in process	741,962	130,271
	27,932,833	26,683,056
Accumulated depreciation	(17,571,766)	(16,549,937)
	$ 10,361,067	$ 10,133,119

Depreciation expense for the years ended December 31, 2020 or 2019 amounted to $1,040,296 and 980,327, respectively.

Note 5: Deposits

A summary of deposits follows:

	December 31,	
	2020	2019
Demand	$ 553,441,570	$ 624,029,263
Savings and money market accounts	578,235,611	510,893,341
Certificates of deposit $250,000 and over	27,473,842	42,913,666
Other certificates of deposit	49,093,171	49,750,580
Total deposits	$ 1,208,244,194	$ 1,227,586,850

As of December 31, 2020 or 2019, no customer accounted for 10% or more of deposits.

Note 5: Deposits - continued

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

2021	$	55,381,154
2022		6,747,023
2023		4,552,652
2024		8,242,752
2025 and thereafter		1,643,432
Total	$	76,567,013

Note 6: Off-Balance-Sheet Activities - Credit-Related Financial Instruments

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

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

At December 31, 2020 or 2019, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2020	2019
Commitments to extend credit	$ 308,967,941	$ 295,720,660
Standby letters of credit	9,871,270	8,856,512
FHLB standby letters of credit	283,700,000	184,400,000

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. The commitments for equity lines of credit, commercial lines of credit, and revolving lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Note 6: Off-Balance-Sheet Activities - Credit-Related Financial Instruments – continued

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. The majority of letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary. As an alternative to pledging investment securities for public funds, the Company offers standby letters of credit issued by FHLB. The Company does not anticipate that any standby letter of credit will be funded; however, if funding does occur, an appropriate term and interest rate will be determined by FHLB at that time.

The Company has no other off-balance-sheet arrangements or transactions with unconsolidated, special purpose entities that would expose the Company to liability that is not reflected on the face of the financial statements.

Note 7: Legal Contingencies

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

Note 8: Related Party Transactions

In the ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates.

Annual activity consisted of the following:

	December 31,	
	2020	2019
Beginning balance	$ 7,023,278	$ 7,249,076
Additions	-	24,164
Removals due to reclassifications	(308,446)	-
Repayments	(6,714,832)	(249,962)
Ending Balance	$ -	$ 7,023,278

Deposits from related parties held by the Company at December 31, 2020 or 2019 amounted to $19,099,833 and $40,078,729, respectively.

Note 9: Minimum Regulatory Capital Requirements

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines, and additionally for banks prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2020 and 2019, the most recent regulatory notifications from the Office of the Comptroller of the Currency (OCC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The following table presents actual and required capital ratios as of December 31, 2020 and 2019 for the Company and the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital rules have been fully phased-in, and include the capital conservation buffer. Capital levels required to be considered well capitalized are based on prompt corrective action regulations, as amended to reflect changes under the Basel III Capital Rules.

Note 9: Minimum Regulatory Capital Requirements – continued

The Company's and the Bank's actual capital amounts and ratios as of December 31, 2020 or 2019 are also presented in the table (in thousands):

	Actual		Required for captial adequacy purposes		Required to be well capitalized under prompt corrective action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
December 31, 2020						
Total Risk-Based Capital to Risk Weighted Assets						
Consolidated	$ 149,891	16.6 %	$ 94,672	10.5 %	$ 90,164	10.0 %
Bank	154,412	17.1	94,599	10.5	90,094	10.0
Common Equity Tier I Capital (CETI) to Risk Weighted Assets						
Consolidated	116,580	12.9	63,115	7.0	58,606	6.5
Bank	143,110	15.9	63,066	7.0	58,561	6.5
Tier I Capital to Risk Weighted Assets						
Consolidated	138,580	15.4	76,639	8.5	72,131	8.0
Bank	143,110	15.9	76,580	8.5	72,075	8.0
Tier I Capital to Adjusted Total Assets						
Consolidated	138,580	10.4	53,480	4.0	66,850	5.0
Bank	143,110	10.7	66,815	5.0	66,815	5.0
December 31, 2019						
Total Risk-Based Capital to Risk Weighted Assets						
Consolidated	$ 144,148	15.4 %	$ 98,401	10.5 %	$ 93,715	10.0 %
Bank	152,905	16.3	98,328	10.5	93,645	10.0
Common Equity Tier I Capital (CETI) to Risk Weighted Assets						
Consolidated	110,424	11.8	65,601	7.0	60,915	6.5
Bank	141,190	15.1	65,552	7.0	60,870	6.5
Tier I Capital to Risk Weighted Assets						
Consolidated	132,424	14.1	79,658	8.5	74,972	8.0
Bank	141,190	15.1	79,599	8.5	74,916	8.0
Tier I Capital to Adjusted Total Assets						
Consolidated	132,424	10.0	53,028	4.0	66,285	5.0
Bank	141,190	10.7	66,250	5.0	66,250	5.0

Note 10: Restrictions on Dividends

Federal and state banking regulations place certain restrictions on dividends paid by the Bank to the Company. Such regulations generally restrict cash dividends for the year 2020 to the extent of the Bank's earnings for 2020 plus $9,155,632 of available earnings from prior years. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note 11: Employee Benefit Plans

Profit-Sharing Plan

The Company has a profit-sharing plan covering substantially all employees. The plan is a qualified salary reduction plan under Section 401(k) of the Internal Revenue Code, which allows deferral of compensation, effective January 1, 1987. The plan became effective February 29, 2000.

Under this plan, the Company's annual contribution to the plan cannot exceed five percent (5%) of eligible compensation, three percent (3%) of which is nondiscretionary and the other two percent (2%) is at the discretion of the Company's Board of Directors. Company contributions are made in the form of cash. The Company contributed $319,077 and $304,342 to the profit-sharing plan in 2020 and 2019, respectively.

Deferred Compensation Agreements

In 2001, the Company established a non-qualified share deferred compensation plan covering certain employees. The liability related to this plan is recorded in the Company records and determined through a calculation of the book value of the Company along with consideration of dividends paid and other adjustments. The liability was $3,971,867 and $3,949,758 at December 31, 2020 or 2019, respectively, and is included with accrued expenses and other liabilities in the consolidated statements of financial condition.

Annual activity consisted of the following:

	2020	2019
Beginning Balance	$ 3,949,758	$ 4,021,126
Accruals	620,000	930,000
Payments	(597,891)	(1,001,368)
Ending Balance	$ 3,971,867	$ 3,949,758

Note 12: Fair Value Measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

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

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

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

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

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

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

Note 12: Fair Value Measurements – continued

While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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

Impaired Loans - Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on internally customized discounting criteria.

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

	December 31, 2020			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Investment securities:				
Mortgage-backed government	$ -	$ 103,245,808	$ -	$ 103,245,808
Municipal government obligations	-	177,994,894	-	177,994,894
Equity Securities	72,490	-	-	72,490
Total financial assets	$ 72,490	$ 281,240,702	$ -	$ 281,313,192

Note 12: Fair Value Measurements – continued

	December 31, 2019			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets				
Investment securities:				
U.S. government and agency	$ -	$ 59,825,314	$ -	$ 59,825,314
Mortgage-backed government	-	133,515,461	-	133,515,461
Municipal government obligations	-	126,039,437	-	126,039,437
U.S. Treasury securities	-	35,101,985	-	35,101,985
Equity Securities	85,740	-	-	85,740
Total financial assets	$ 85,740	$ 354,482,197	$ -	$ 354,567,937

During the years ended December 31, 2020 and 2019, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. At December 31, 2020, impaired loans with a carrying value of $5,112 were reduced by specific valuation allowance allocations totaling $3,023, to a total reported fair value of $2,089, based on collateral valuations utilizing Level 3 valuation inputs. At December 31, 2019, impaired loans with a carrying value of $3,890 were reduced by specific valuation allowance allocations totaling $3,890, to a total reported fair value of $-0-.

Note 13: Long Term Debt

The Company was obligated under a note payable to a shareholder in the original amount of $7,500,000. The proceeds drawn on this note were used to inject capital into the Company. The note had a maturity date of September 4, 2018, which was amended on March 4, 2019, to extend the maturity date until September 4, 2021. The note was paid off during the year ended December 31, 2020. The note had a balance of $6,500,000 at December 31, 2019 and an interest rate of prime which at December 31, 2019 was 4.75%. Interest payments were made on the first day of each quarter with principal and interest due on maturity. For the years ended December 31, 2020 and 2019, interest expense on the note payable was $95,424 and $348,066, respectively.

The Company had two promissory notes due to a corresponding bank (senior lender) before being consolidated in 2016 in the amount of $12,750,000. Prior to consolidation, one of the notes included a revolving feature. Repayments consists of quarterly payments of interest only plus annual principal reductions of $1,275,000. The interest rate under the note was reduced from Wall Street Journal Prime plus 1.00% to Wall Street Journal Prime plus 0.50% with the June 30, 2019 renewal. At December 31, 2020 and 2019 the rate was 3.75% and 5.75%, respectively. Interest payments will be made on or around the last day of each quarter with principal in the amount of $1,275,000 required annually on June 30th. All unpaid principal and interest is due on the maturity date of June 30, 2022. The note had a balance of $7,012,500 and $8,305,000 at December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 or 2019, interest expense on the note payable was $320,906 and $581,848, respectively.

Note 14: Subordinated Debentures

On June 22, 2004, the Company completed the private placement of $7,217,000 in subordinated debentures to First West Texas Capital Trust II (Trust II). Trust II funded the purchase of the subordinated debentures through the sale of trust preferred securities to NBC Capital Markets Group with a liquidation value of $7,217,000.

Using interest payments made by the Company on the debentures, Trust II began paying quarterly dividends to preferred security holders on July 23, 2004. The annual percentage rate of the interest payable on the subordinated debentures and distributions payable on the preferred securities is 3-Month LIBOR plus 2.60% (2.80913% at December 31, 2020); however, the interest rate cannot exceed the highest rate permitted by New York law. Dividends on the preferred securities are cumulative and Trust II may defer the payments for up to five years. The preferred securities mature on July 23, 2034. The Company did not redeem any debentures in 2020.

On October 25, 2005, the Company completed the private placement of $7,732,000 in subordinated debentures to First West Texas Statutory Trust III (Trust III). Trust III funded the purchase of the subordinated debentures through the sale of trust preferred securities to Bear, Stearns & Co., Inc. with a liquidation value of $7,732,000. Using interest payments made by the Company on the debentures, Trust III began paying quarterly dividends to preferred security holders on January 7, 2006. The annual percentage rate of the interest payable on the subordinated debentures and distributions payable on the preferred securities is fixed at 6.185% from October 27, 2005 until January 7, 2011. After this fixed rate period, the annual percentage rate will be 3-Month LIBOR plus 1.37% (1.60688% at December 31, 2020.) Dividends on the preferred securities are cumulative and Trust III may defer the payments for up to five years. The preferred securities mature on January 7, 2036. The Company did not redeem any debentures in 2020.

On October 25, 2005, the Company completed the private placement of $7,732,000 in subordinated debentures to First West Texas Statutory Trust IV (Trust IV). Trust IV funded the purchase of the subordinated debentures through the sale of trust preferred securities to Bear, Stearns & Co., Inc. with a liquidation value of $7,732,000. Using interest payments made by the Company on the debentures, Trust IV began paying quarterly dividends to preferred security holders on January 7, 2006. The annual percentage rate of the interest payable on the subordinated debentures and distributions payable on the preferred securities is 3-Month LIBOR plus 1.37% (1.60688% at December 31, 2020); however, the interest rate cannot exceed the highest rate permitted by New York law. Dividends on the preferred securities are cumulative and Trust IV may defer the payments for up to five years. The preferred securities mature on January 7, 2036. The Company did not redeem any debentures in 2020.

For the years ended December 31, 2020 or 2019, interest expense on the subordinated debentures was $624,566 and $958,279, respectively. The Company had no deferred debt financing costs at December 31, 2020 and 2019.

Subordinated debt may be included in regulatory Tier 1 capital subject to a limitation that such amounts not exceed 25% of Tier 1 capital. The remainder of subordinated debt is included in Tier II capital. There is no limitation for inclusion of subordinated debt in total risk-based capital and, as such, all subordinated debt was included in total risk-based capital.

Note 15: Lines of Credit

The Company has an unused line of credit with a correspondent bank totaling $5,000,000 at a variable interest rate quoted on the day any advances are drawn. The terms provide for the unsecured purchase of federal funds for the first thirty (30) days and on the thirty-first (31) day, the Company must furnish collateral in the form of marketable securities. The agreement does not contain a stated expiration date, but may be terminated at any time at the discretion of the correspondent bank. As of December 31, 2020, no advances were made under this agreement.

The Company has an unused line of credit with a correspondent bank totaling $10,000,000 at a variable interest rate quoted on the day any advances are drawn. The terms provide for the unsecured purchase of federal funds for the first ten (10) days and on the eleventh (11) day, the Company must furnish collateral in the form of government securities. The agreement expires November 10, 2021. As of December 31, 2020, no advances were made under this agreement.

The Company has an available line of credit with the Federal Home Loan Bank of Dallas (FHLB) secured by a blanket lien on qualified loans and investment securities of the Bank held at FHLB. The Company had $130,091,553 available from the FHLB for advances at December 31, 2020.

The Company has an available line of credit with the Federal Reserve Bank of Dallas (FRB) secured by investment securities of the Bank with a fair value of $49,704,305. The Company had $47,000,000 available from the FRB for advances at December 31, 2020.

Note 16: Subsequent Events

The Company has evaluated all subsequent events through March 10, 2021 the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION – **CONSOLIDATION**

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Condition
December 31, 2020

Assets	First West Texas Bancshares, Inc.	West Texas National Bank
Cash and due from banks	$ 2,130,044	$ 15,917,164
Interest bearing deposits in banks	-	225,701,443
Debt securities available for sale, at fair value	-	281,240,702
Equity securities	-	72,490
Investment in partnerships	-	11,957,048
Investment in statutory trusts	681,000	-
Investment in subsidiary	160,111,969	-
Loans receivable, net of allowance for loan losses	-	795,367,207
Accrued interest receivable	-	4,503,363
Premises and equipment	-	10,361,067
Cash surrender value of life insurance	-	15,833,102
Goodwill	145,073	8,841,742
Restricted investments held at cost	-	4,417,600
Other assets	506,500	1,716,143
	$ 163,574,586	$ 1,375,929,071
Liabilities and Shareholders' Equity		
Noninterest bearing	$ -	$ 555,571,614
Interest bearing	-	654,802,624
Total deposits	-	1,210,374,238
Accrued expenses and other liabilities	153,686	5,442,864
Long term debt	7,012,500	-
Subordinated debentures	22,681,000	-
Total liabilities	29,847,186	1,215,817,102
Shareholders' Equity		
Common stock	443,318	7,500,000
Capital surplus	54,813,663	84,599,019
Retained earnings	70,476,808	59,852,700
Treasury stock, at cost	(166,639)	-
Net unrealized appreciation on available for sale securities	8,160,250	8,160,250
Total shareholders' equity	133,727,400	160,111,969
	$ 163,574,586	$ 1,375,929,071

	Eliminations		Consolidated
$	(2,130,044)	$	15,917,164
	-		225,701,443
	-		281,240,702
	-		72,490
	-		11,957,048
			681,000
	(160,111,969)		-
	-		795,367,207
	-		4,503,363
	-		10,361,067
	-		15,833,102
	-		8,986,815
	-		4,417,600
	(500,000)		1,722,643
$	(162,742,013)	$	1,376,761,644
$	(2,130,044)	$	553,441,570
	-		654,802,624
	(2,130,044)		1,208,244,194
	(500,000)		5,096,550
	-		7,012,500
	-		22,681,000
	(2,630,044)		1,243,034,244
	(7,500,000)		443,318
	(84,599,019)		54,813,663
	(59,852,700)		70,476,808
	-		(166,639)
	(8,160,250)		8,160,250
	(160,111,969)		133,727,400
$	(162,742,013)	$	1,376,761,644

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidating Statement of Income
Year ended December 31, 2020

	First West Texas Bancshares, Inc.	West Texas National Bank
Interest income		
Loans, including fees	$ -	$ 38,350,095
Debt securities	-	
Taxable		3,835,430
Tax exempt	-	2,555,008
Equity securities	-	3,200
Deposits with banks	-	956,667
Total interest income	-	45,700,400
Interest expense		
Deposits	-	2,389,922
Federal funds purchased	-	63
Long term debt	416,330	-
Subordinated debentures	624,566	-
Total interest expense	1,040,896	2,389,985
Net interest (loss) income	(1,040,896)	43,310,415
Provision for loan losses	-	9,657,000
Net interest (loss) income after provision for loan losses	(1,040,896)	33,653,415
Noninterest income		
Service charges on deposit accounts	-	1,449,013
Other service charges and fees	-	1,885,042
Net realized loss on sale of premises and equipment		300
Appreciation in cash surrender value of life insurance	-	362,733
Equity in earnings of subsidiary	10,169,772	-
Other income	21,235	389,700
Total noninterest income	10,191,007	4,086,788
Noninterest expenses		
Salaries and employee benefits	-	14,171,118
Occupancy and equipment expense	-	4,046,606
Advertising	-	562,767
Data processing	-	3,629,850
Legal and professional	525	1,357,309
Other expense	10,000	3,802,781
Total noninterest expenses	10,525	27,570,431
Net income	$ 9,139,586	$ 10,169,772

Eliminations	Consolidated
$ -	$ 38,350,095
-	
-	3,835,430
-	2,555,008
-	3,200
-	956,667
-	45,700,400
-	2,389,922
-	63
-	416,330
-	624,566
-	3,430,881
-	42,269,519
-	9,657,000
-	32,612,519
-	1,449,013
-	1,885,042
	300
-	362,733
(10,169,772)	-
-	410,935
(10,169,772)	4,108,023
-	14,171,118
-	4,046,606
-	562,767
-	3,629,850
-	1,357,834
-	3,812,781
-	27,580,956
$ (10,169,772)	$ 9,139,586

FIRST WEST TEXAS BANCSHARES, INC. AND SUBSIDIARIES
Consolidating Statement of Cash Flows
Year ended December 31, 2020

	First West Texas Bancshares, Inc.	West Texas National Bank
Cash flows from operating activities		
Net income	$ 9,139,586	$ 10,169,772
Adjustments to reconcile net income to		
net cash provided by operating activities		
Provision for loan losses	-	9,657,000
Net amortization of securities	-	1,366,391
Loss on equity securities	-	13,250
Depreciation	-	1,040,296
Net gain on sale of premises and equipment	-	(300)
Net appreciation in cash surrender value of life insurance	-	567,114
Equity in undistributed earnings of subsidiary	(1,919,772)	-
Net change in		
Accrued interest receivable	-	805,028
Other assets	(500,000)	(432,999)
Accrued expenses and other liabilities	(162,886)	182,442
Net cash provided by operating activities	6,556,928	23,367,994
Cash flows from investing activities		
Net change in interest bearing deposits in banks	-	(36,465,077)
Activity in available for sale securities		
Maturities, prepayments and calls	-	145,187,985
Purchases	-	(68,576,207)
Purchase of Federal Home Loan Bank Stock	-	(371,400)
Activity in other investments in partnerships		
Distributions and withdrawals	-	160,146
Purchases	-	(559,968)
Loan originations and principal collections, net	-	(30,480,163)
Proceeds from sale of premises and equipment	-	300
Additions to premises and equipment	-	(1,268,243)
Net cash provided by investing activities	-	7,627,373
Cash flows from financing activities		
Net decrease in deposits	-	(23,561,517)
Repayment of long term debt	(7,792,500)	-
Purchase of treasury stock	(1,187)	-
Dividends paid	(2,982,102)	(8,250,000)
Net cash used in financing activities	(10,775,789)	(31,811,517)
Net change in cash and cash equivalents	(4,218,861)	(816,150)
Cash and cash equivalents at beginning of year	6,348,905	16,733,314
Cash and cash equivalents at end of year	$ 2,130,044	$ 15,917,164

Eliminations	Consolidated
$ (10,169,772)	$ 9,139,586
-	9,657,000
-	1,366,391
-	13,250
-	1,040,296
-	(300)
-	567,114
1,919,772	-
-	805,028
500,000	(432,999)
(500,000)	(480,444)
(8,250,000)	21,674,922
-	(36,465,077)
-	145,187,985
-	(68,576,207)
-	(371,400)
-	160,146
-	(559,968)
-	(30,480,163)
-	300
-	(1,268,243)
-	7,627,373
4,218,861	(19,342,656)
-	(7,792,500)
-	(1,187)
8,250,000	(2,982,102)
12,468,861	(30,118,445)
4,218,861	(816,150)
(6,348,905)	16,733,314
$ (2,130,044)	$ 15,917,164

SUPPLEMENTARY INFORMATION – **First West Texas Bancshares, Inc.**
(Parent Company)

FIRST WEST TEXAS BANCSHARES, INC.
(PARENT COMPANY)
Statements of Financial Condition
December 31, 2020 and 2019

Assets		2020		2019
Cash and cash equivalents	$	2,130,044	$	6,348,905
Investment in statutory trusts		681,000		681,000
Investment in subsidiary		160,111,969		153,455,522
Goodwill		145,073		145,073
Other assets		506,500		6,500
	$	163,574,586	$	160,637,000
Liabilities and Shareholders' Equity				
Accrued expenses and other liabilities	$	153,686	$	316,571
Long term debt		7,012,500		14,805,000
Subordinated debentures		22,681,000		22,681,000
Total liabilities		29,847,186		37,802,571
Shareholders' Equity				
Common stock		443,318		443,318
Capital surplus		54,813,663		54,813,663
Retained earnings		70,476,808		64,319,324
Treasury stock, at cost		(166,639)		(165,452)
Net unrealized appreciation on available for sale securities		8,160,250		3,423,576
Total shareholders' equity		133,727,400		122,834,429
	$	163,574,586	$	160,637,000

FIRST WEST TEXAS BANCSHARES, INC.
(PARENT COMPANY)
Statements of Income
Years ended December 31, 2020 and 2019

	2020	2019
Income		
Other income	$ 21,235	$ 29,513
Total income	21,235	29,513
Expenses		
Interest on long term debt	416,330	929,914
Interest on subordinated debentures	624,566	958,279
Legal and professional	525	13,910
Other expense	10,000	-
Total expenses	1,051,421	1,902,103
Loss before equity in earnings of subsidiary	(1,030,186)	(1,872,590)
Equity in earnings of subsidiary		
Dividend income	8,250,000	13,550,000
Undistributed earnings of subsidiary	1,919,772	7,235,860
Total equity in earnings of subsidiary	10,169,772	20,785,860
Net income	$ 9,139,586	$ 18,913,270

FIRST WEST TEXAS BANCSHARES, INC.
(PARENT COMPANY)
Statements of Cash Flows
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net income	$ 9,139,586	$ 18,913,270
Adjustments to reconcile net income to		
net cash provided by operating activities		
Equity in undistributed earnings of subsidiary	(1,919,772)	(7,235,860)
Net change in		
Other assets	(500,000)	-
Accrued expenses and other liabilities	(162,886)	(32,032)
Net cash provided by operating activities	6,556,928	11,645,378
Cash flows from financing activities		
Repayment of long term debt	(7,792,500)	(1,895,000)
Purchase of treasury stock	(1,187)	-
Dividends paid	(2,982,102)	(8,365,863)
Net cash used in by financing activities	(10,775,789)	(10,260,863)
Net change in cash and cash equivalents	(4,218,861)	1,384,515
Cash and cash equivalents at beginning of year	6,348,905	4,964,390
Cash and cash equivalents at end of year	$ 2,130,044	$ 6,348,905

SUPPLEMENTARY INFORMATION – **West Texas National Bank**

WEST TEXAS NATIONAL BANK
Statements of Financial Condition
December 31, 2020 and 2019

Assets	2020	2019
Cash and due from banks	$ 15,917,164	$ 16,733,314
Interest bearing deposits in banks	225,701,443	189,236,366
Securities available for sale, at fair value	281,240,702	354,482,197
Equity securities	72,490	85,740
Investment in partnerships	11,957,048	11,557,226
Loans receivable, net of allowance for loan losses	795,367,207	774,544,044
Accrued interest receivable	4,503,363	5,308,391
Premises and equipment	10,361,067	10,133,119
Cash surrender value of life insurance	15,833,102	16,400,216
Goodwill	8,841,742	8,841,742
Restricted investments held at cost	4,417,600	4,046,200
Other assets	1,716,143	1,283,144
	$ 1,375,929,071	$ 1,392,651,699
Liabilities and Shareholders' Equity		
Noninterest bearing	$ 555,571,614	$ 630,378,168
Interest bearing	654,802,624	603,557,587
Total deposits	1,210,374,238	1,233,935,755
Accrued expenses and other liabilities	5,442,864	5,260,422
Total liabilities	1,215,817,102	1,239,196,177
Shareholders' Equity		
Common stock	7,500,000	7,500,000
Capital surplus	84,599,019	84,599,019
Undivided profits	59,852,700	57,932,927
Net unrealized appreciation on available for sale securities	8,160,250	3,423,576
Total shareholders' equity	160,111,969	153,455,522
	$ 1,375,929,071	$ 1,392,651,699

WEST TEXAS NATIONAL BANK
Statements of Income
Years ended December 31, 2020 and 2019

	2020	2019
Interest income		
Loans, including fees	$ 38,350,095	$ 42,993,790
Debt securities		
Taxable	3,835,430	6,611,418
Tax exempt	2,555,008	2,678,228
Equity securities	3,200	2,278
Deposits with banks	956,667	2,380,669
Total interest income	45,700,400	54,666,383
Interest expense		
Deposits	2,389,922	4,722,437
Federal funds purchased	63	6,896
Total interest expense	2,389,985	4,729,333
Net interest income	43,310,415	49,937,050
Provision for loan losses	9,657,000	8,407,000
Net interest income after provision for loan losses	33,653,415	41,530,050
Noninterest income		
Service charges on deposit accounts	1,449,013	1,782,261
Other service charges and fees	1,885,042	2,513,527
Net realized loss on sale of premises and equipment	300	6,500
Appreciation in cash surrender value of life insurance	362,733	418,853
Other income	389,700	663,014
Total noninterest income	4,086,788	5,384,155
Noninterest expenses		
Salaries and employee benefits	14,171,118	13,919,790
Occupancy and equipment expense	4,046,606	3,726,496
Advertising	562,767	745,671
Data processing	3,629,850	2,983,011
Legal and professional	1,357,309	1,249,141
Other expense	3,802,781	3,504,236
Total noninterest expenses	27,570,431	26,128,345
Net income	$ 10,169,772	$ 20,785,860

WEST TEXAS NATIONAL BANK
Statements of Cash Flows
Years ended December 31, 2020 and 2019

		2020		2019
Cash flows from operating activities				
Net income	$	10,169,772	$	20,785,860
Adjustments to reconcile net income to				
net cash provided by operating activities				
Provision for loan losses		9,657,000		8,407,000
Net amortization of securities		1,366,391		1,338,886
Loss on equity securities		13,250		(14,553)
Depreciation		1,040,296		980,327
Net gain on sales of premises and equipment		(300)		(6,500)
Net, appreciation in cash surrender value of life insurance		567,114		(390,073)
Net change in				
Accrued interest receivable		805,028		1,033,209
Other assets		(432,999)		308,455
Accrued expenses and other liabilities		182,442		(501,093)
Net cash provided by operating activities		23,367,994		31,941,518
Cash flows from investing activities				
Net change in interest bearing deposits in banks		(36,465,077)		14,924,880
Activity in available for sale securities				
Maturities, prepayments and calls		145,187,985		166,090,062
Purchases		(68,576,207)		(33,269,150)
Purchase of Federal Home Loan Bank Stock		(371,400)		(27,900)
Activity in other investments in partnerships				
Distributions and withdrawals		160,146		-
Purchases		(559,968)		(4,139,394)
Loan originations and principal collections, net		(30,480,163)		(105,849,707)
Proceeds from sales of premises and equipment		300		6,500
Additions to premises and equipment		(1,268,243)		(887,730)
Net cash provided by investing activities		7,627,373		36,847,561
Cash flows from financing activities				
Net decrease in deposits		(23,561,517)		(54,724,303)
Dividends paid		(8,250,000)		(13,550,000)
Net cash used in financing activities		(31,811,517)		(68,274,303)
Net change in cash and cash equivalents		(816,150)		514,776
Cash and cash equivalents at beginning of year		16,733,314		16,218,538
Cash and cash equivalents at end of year	$	15,917,164	$	16,733,314

REPORT ITEM 2.

* Denotes Incorporated in Texas

ORGANIZATION CHART:

PARENT
FIRST WEST TEXAS BANCSHARES INC*

MIDLAND, TX 79705

RSSD ID 1109834

No entity has a LEI Number

100%
SUBSIDIARY

100%
SUBSIDIARY

[redacted]

FIRST WEST TEXAS CAPITAL TRUST II *

MIDLAND, TX 79705

100%
SUBSIDIARY

[redacted] FIRST WEST TEXAS STATUTORY TRUST III *

MIDLAND, TX 79705

100%
SUBSIDIARY

[redacted] FIRST WEST TEXAS STATUTORY TRUST IV *

MIDLAND, TX 79705

[redacted]

100%
WEST TEXAS NATIONAL BANK

MIDLAND, TX 79705

100%
WEST TEXAS FINANCIAL INC *

MIDLAND, TX 79705

Results: A list of branches for your depository institution: WEST TEXAS NATIONAL BANK (ID_RSSD: 237066).
This depository institution is held by FIRST WEST TEXAS BANCSHARES, INC. (1109834) of MIDLAND, TX.
The data are as of 12/31/2020. Data reflects information that was received and processed through 07/06/2021.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	237066	WEST TEXAS NATIONAL BANK	#6 DESTA DRIVE, SUITE 2400	MIDLAND	TX	79705	MIDLAND	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	3527320	ALPINE BRANCH	101 E AVENUE E	ALPINE	TX	79830	BREWSTER	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	772651	CRANE BRANCH	720 S GASTON ST	CRANE	TX	79731	CRANE	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	2643885	DENVER CITY BRANCH	810 E BROADWAY	DENVER CITY	TX	79323	YOAKUM	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	929857	KERMIT BRANCH	101 SOUTH EAST AVE	KERMIT	TX	79745	WINKLER	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
Change		Full Service	3472644	DOWNTOWN BRANCH	300 N MARIENFELD, SUITE 100	MIDLAND	TX	79701	MIDLAND	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
Change		Full Service	3908228	WADLEY BRANCH	5401 WEST WADLEY AVENUE	MIDLAND	TX	79707	MIDLAND	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	5399389	ODESSA BRANCH	6005 EASTRIDGE ROAD, SUITE 120	ODESSA	TX	79762	ECTOR	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	724360	PECOS BRANCH	100 E 6TH ST	PECOS	TX	79772-4037	REEVES	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	401960	SEMINOLE BRANCH	200 SOUTHEAST AVENUE B	SEMINOLE	TX	79360	GAINES	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	
OK		Full Service	3023000	QUICKSILVER BRANCH	53610 STATE HIGHWAY 118	TERLINGUA	TX	79852	BREWSTER	UNITED STATES	Not Required	Not Required	WEST TEXAS NATIONAL BANK	237066	

Form FR Y-6

FIRST WEST TEXAS BANCSHARES, INC
MIDLAND, TX
Fiscal Year Ending 12/31/2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending MM/DD/YYYY			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 MM/DD/YYYY (but not at fiscal year-end)			
(1)(a) Name & Address (City, State, Country)	**(1)(b)** Country of Citizenship or Incorporation	**(1)(c)** Number and Percentage of Each Class of Voting Securities	**(2)(a)** Name & Address (City, State, Country)	**(2)(b)** Country of Citizenship or Incorporation	**(2)(c)** Number and Percentage of Each Class of Voting Securities	
ESTATE OF JAMES LEE DAVIS	USA	390,922, 88.4893%	R. KEITH MOORE	USA	30,925, 6.9999%	During Fiscal Year
Midland, TX			Midland, TX		20, 0.0045%	At FYE
DAVID L. DAVIS Midland, TX	USA	37,391, 8.4638%				
David L. Davis as Independent Executor for the ESTATE OF JAMES LEE DAVIS Midland, TX	USA	390,922, 88.4893%				
David L. Davis, Individually PLUS as Independent Executor for the ESTATE OF JAMES LEE DAVIS Midland, TX	USA	428,313, 96.9531%				
Sandra Maddox as Independent Executor for the ESTATE OF JAMES LEE DAVIS Midland, TX	USA	390,922, 88.4893%				

Form FR Y-6

FIRST WEST TEXAS BANCSHARES, INC
MIDLAND, TX
Fiscal Year Ending 12/31/2020

PUBLIC REPORT ITEM 4

Report Item 4: Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with holding company	(3)(a) Title/Position with holding company	(3)(b) Title/Position with Subsidiaries (including subsidiary name)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Estate of James Lee Davis (DECEASED 12/21/19), MIDLAND, TX, USA	N/A	N/A	N/A	**Confidential** **Please note: data can be found in the confidential volume.**	88.4893%	WEST TEXAS NATIONAL BANK, N/A	**Confidential** **Please note: data can be found in the confidential volume.**
DAVID L. DAVIS, MIDLAND, TX, USA	CHAIRMAN	EXECUTIVE VICE PRESIDENT, DIRECTOR	WEST TEXAS NATIONAL BANK CHAIRMAN,DIRECTOR	**Confidential** **Please note: data can be found in the confidential volume.**	96.9531%	WEST TEXAS NATIONAL BANK, N/A	**Confidential** **Please note: data can be found in the confidential volume.**
KEITH MOORE MIDLAND, TX, USA	BANKER	PRESIDENT, DIRECTOR	President, Director - WTNB	**Confidential** **Please note: data can be found in the confidential volume.**	0.0045%	WEST TEXAS NATIONAL BANK, N/A	**Confidential** **Please note: data can be found in the confidential volume.**
RICHARD HATCHETT MIDLAND, TX, USA	GAS EXECUTIVE	DIRECTOR	Director - WTNB	**Confidential** **Please note: data can be found in the confidential volume.**	2.9999%	WEST TEXAS NATIONAL BANK, N/A	**Confidential** **Please note: data can be found in the confidential volume.**
SANDRA MADDOX, MIDLAND, TX, USA	ENGINEER	EXECUTIVE VICE PRESIDENT, DIRECTOR	WEST TEXAS NATIONAL BANK CHAIRMAN,DIRECTOR	**Confidential** **Please note: data can be found in the confidential volume.**	88.4893%	WEST TEXAS NATIONAL BANK, N/A	**Confidential** **Please note: data can be found in the confidential volume.**