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, Richard Steel
Name of the Holding Company Director and Official

Secretary/Treasurer/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.

Richard L. Steel
Signature of Holding Company Director and Official

03-31-21
Date of Signature

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

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

SNB Financial, Inc.
Legal Title of Holding Company

P.O. Box 1271
(Mailing Address of the Holding Company) Street / P.O. Box

Big Spring | TX | 79721
City | State | Zip Code

901 S. Main St, Big Spring TX 79720
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Richard Steel | Secretary/Treasurer/Director
Name | Title

432-264-2100
Area Code / Phone Number / Extension

432-267-1553
Area Code / FAX Number

richard@statenational.bank
E-mail Address

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

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

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

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

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

For Use By Tiered Holding Companies

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

SNB Delaware Financial, Inc.
Legal Title of Subsidiary Holding Company

3500 South Dupont Hwy
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

Dover	DE	19901
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)

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City State Zip Code

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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

SNB FINANCIAL, INC.
Big Spring, Texas
Fiscal Year Ending December 31, 2020

Report Item

1: a. The BHC is not required to file form 10(k) with the SEC.
   b. The BHC does prepare an annual report for its shareholders.
   The Audited Financial Statements are included in this submission.

2. Organizational Chart

SNB FINANCIAL, INC.
Big Spring, Texas
Incorporated in Texas

Direct ownership of 1,000 shares (100%)
of SNB Delaware Financial, Inc.

SNB DELAWARE FINANCIAL, INC.
Dover, Delaware
Incorporated in Delaware

Direct ownership of 113,682 shares (100%) of
The State National Bank of Big Spring

THE STATE NATIONAL BANK OF BIG SPRING
Big Spring, Texas
Incorporated in United States

None of these entities have a LEI number.

Results: A list of branches for your depository institution: STATE NATIONAL BANK OF BIG SPRING, THE (ID_RSSD: 169354).
This depository institution is held by SNB FINANCIAL, INC. (1110278) of BIG SPRING, TX.
The data are as of 12/31/2020. Data reflects information that was received and processed through 01/05/2021.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	169354	STATE NATIONAL BANK OF BIG SPRING, THE	901 SOUTH MAIN STREET	BIG SPRING	TX	79720	HOWARD	UNITED STATES	Not Required	Not Required	STATE NATIONAL BANK OF BIG SPRING, THE	169354	
OK		Full Service	1980190	LAMESA BRANCH	801 N 4TH ST	LAMESA	TX	79331	DAWSON	UNITED STATES	Not Required	Not Required	STATE NATIONAL BANK OF BIG SPRING, THE	169354	
OK		Full Service	1010761	O'DONNELL BRANCH	700 BALDRIDGE	ODONNELL	TX	79351	LYNN	UNITED STATES	Not Required	Not Required	STATE NATIONAL BANK OF BIG SPRING, THE	169354	

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SNB Financial, Inc.
Big Spring, Texas
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
John Robert Currie San Antonio, TX USA	USA	13,314 12.06%	**NONE**		
Margaret Currie Trust A John Robert Currie, Trustee San Antonio, TX USA	USA	7,881 7.13%			
Subtotal - John Robert Currie		21,195 19.19%			
Amy Nicole Currie Leggett Big Spring, TX USA	USA	2,337 2.12%			
Becky Aree Currie Towery Lufkin, TX USA	USA	232 0.21%			
Henry Currie Austin, TX USA	USA	10,389 9.41%			
Tom Currie Austin, TX USA	USA	10,288 9.32%			
Carol Currie Martin Peck Round Rock, TX USA	USA	10,289 9.32%			
Ann McComb Austin, TX USA	USA	1,285 1.16%			
McComb Family Trust Ann McComb, Trustee Austin, TX USA	USA	7,048 6.38%			
Karen McComb Farabee West Lake Hills, TX USA	USA	3,234 2.93%			
Karen Farabee Trust Karen Farabee, Trustee West Lake Hills, TX USA	USA	5,000 4.53%			
Grand Total - Currie Family		71,297 64.57%			
Richard Steel Big Spring, TX USA	USA	2,427 2.20%			
The Paul McComb 2018 Trust Richard Steel Trustee Big Spring, TX USA	USA	6,313 5.71%			
Subtotal - Richard Steel		8,740 7.91%			

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SNB Financial, Inc.
Big Spring, TX
Fiscal Year Ending 12/31/2020

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 (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Jim Purcell Lipan, TX USA	Retired Banker	Chairman/President/ Director	SNB Delaware Financial, Inc. President/Director The State National Bank Chairman/Director	None	2.35%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Richard Steel Big Spring, TX USA	Banker	Secretary/Treasurer Director	SNB Delaware Financial, Inc. Secretary/Treasurer/ Director The State National Bank President/Director	None	7.91%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Ann McComb Austin, TX USA	Homemaker	Director	SNB Delaware Financial, Inc. None The State National Bank None	None	7.54%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
John Robert Currie San Antonio, TX USA	Executive	Principal Shareholder/ Director	SNB Delaware Financial, Inc. None The State National Bank Director	None	19.19%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Amy Nicole Currie Leggett Big Spring, TX USA	Teacher	Principal Shareholder	SNB Delaware Financial, Inc. None The State National Bank None	None	2.12%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Becky Aree Currie Towery Lufkin, TX USA	Teacher	Principal Shareholder	SNB Delaware Financial, Inc. None The State National Bank None	None	0.21%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Henry Currie Austin, TX USA	Retired Mechanic	Principal Shareholder	SNB Delaware Financial, Inc. None The State National Bank None	None	9.41%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Tom Currie Austin, TX USA	Retired UPS Driver	Principal Shareholder	SNB Delaware Financial, Inc. None The State National Bank None	None	9.32%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Carol Currie Martin Peck Round Rock, TX USA	Pharmacist	Principal Shareholder	SNB Delaware Financial, Inc. None The State National Bank None	None	9.32%	SNB Delaware Financial, Inc. None The State National Bank None	N/A
Karen McComb Farabee West Lake Hills, TX USA	Homemaker	Principal Shareholder	SNB Delaware Financial, Inc. None The State National Bank None	None	7.46%	SNB Delaware Financial, Inc. None The State National Bank None	N/A

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SNB Delaware Financial, Inc.
Dover, DE
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
SNB Financial, Inc. Big Spring, TX USA	USA	1,000 100.00%	**NONE**		

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SNB Delaware Financial, Inc.
Dover, DE
Fiscal Year Ending 12/31/2020

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 (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Jim Purcell Lipan, TX USA	Retired Banker	President/Director	The State National Bank Chairman/Director	None	None	The State National Bank None	N/A
Richard Steel Big Spring, TX USA	Banker	Secretary/Treasurer Director	The State National Bank President/Director	None	None	The State National Bank None	N/A
SNB Financial, Inc. Big Spring, TX USA	Parent Holding Co.	Principal Shareholder	The State National Bank None	None	100.00%	The State National Bank None	N/A

SNB FINANCIAL, INC. AND SUBSIDIARIES
BIG SPRING, TEXAS

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

DECEMBER 31, 2020 AND 2019

CONTENTS

Stovall Grandey & Allen LLP

500 W. 7th Street
Suite 900
Fort Worth, Texas
76102-4702

Phone 817-632-2500
Fax 817-632-2598

www.sga-cpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of SNB Financial, Inc.
Big Spring, Texas

We have audited the accompanying consolidated financial statements of SNB Financial, Inc. and Subsidiaries which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying balance sheets of The State National Bank (Bank Only) as of December 31, 2020 and 2019 and the related statements of income, comprehensive income, changes in shareholder's equity and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of SNB Financial, Inc. and Subsidiaries and The State National Bank (Bank Only) as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information on pages 40-42 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material aspects in relation to the financial statements taken as a whole.

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, LLP
Fort Worth, Texas
March 25, 2021

SNB FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents:		
Cash and due from banks - Note 3	$ 9,278,874	$ 10,895,349
Interest-bearing deposits in financial institutions maturing in less than three months	115,038,253	81,866,126
Total cash and cash equivalents	124,317,127	92,761,475
Interest-bearing deposits in financial institutions maturing in more than three months	494,000	494,000
Reverse repurchase agreement - Note 2	10,148,625	-
Investment securities - Note 4	225,202,402	235,915,645
Restricted stock, at cost - Note 2	313,350	301,050
Equity investments, at cost - Note 2	205,364	205,364
Loans, net of deferred loan fees and allowance for loan losses - Note 5	86,504,800	88,413,507
Premises and equipment, net of accumulated depreciation - Note 6	1,822,040	1,860,096
Bank-owned life insurance - Note 7	5,525,459	5,412,108
Accrued interest receivable	3,193,022	3,524,994
Other assets	189,010	300,831
Total Assets	$ 457,915,199	$ 429,189,070
LIABILITIES		
Deposits - Note 8	$ 398,002,182	$ 379,430,782
Other liabilities:		
Accrued interest payable	79,836	128,664
Accrued expenses and other liabilities	237,056	217,625
Total other liabilities	316,892	346,289
Total Liabilities	398,319,074	379,777,071
Commitments and contingencies - Notes 10, 11, 12, 13, 14 and 15		
SHAREHOLDERS' EQUITY		
Common stock, $10 par value a share:		
Authorized - 1,000,000 shares		
Issued - 120,000 shares	1,200,000	1,200,000
Capital surplus	23,775,856	23,775,856
Retained earnings	30,470,413	23,465,151
Accumulated other comprehensive income	7,243,407	2,395,253
Treasury stock, at cost - 9,573 and 6,141 shares at December 31, 2020 and 2019, respectively	(3,093,551)	(1,424,261)
Total Shareholders' Equity	59,596,125	49,411,999
Total Liabilities and Shareholders' Equity	$ 457,915,199	$ 429,189,070

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

SNB FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Interest income		
Interest and fees on loans	$ 5,040,883	$ 5,521,781
Interest on investment securities:		
Taxable	2,604,593	3,077,140
Exempt from federal income tax	1,807,948	1,446,064
	4,412,541	4,523,204
Interest on federal funds sold, reverse repurchase agreement and interest-bearing deposits with financial institutions	458,099	1,210,298
Total interest income	9,911,523	11,255,283
Interest expense		
Interest on deposits	521,028	826,058
Total interest expense	521,028	826,058
Net interest income	9,390,495	10,429,225
Provision for loan losses - Note 5	240,000	-
Net interest income after provision for loan losses	9,150,495	10,429,225
Non-interest income		
Service charges and fees	620,743	731,939
Loss on disposals of premises and equipment	(2,679)	-
Gain on sale of other assets	2,799,999	-
Net earnings on bank-owned life insurance	112,626	121,816
Other	1,006,384	590,537
Total non-interest income	4,537,073	1,444,292
Non-interest expense		
Salaries and employee benefits	2,839,084	2,663,695
Occupancy expense	742,265	618,769
Other	1,825,736	1,672,090
Total non-interest expense	5,407,085	4,954,554
Net Income	$ 8,280,483	$ 6,918,963

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

SNB FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net Income	$ 8,280,483	$ 6,918,963
Other Comprehensive Income		
Securities available-for-sale:		
Change in net unrealized gain during the year	4,848,154	4,415,143
Other comprehensive income	4,848,154	4,415,143
Comprehensive Income	$ 13,128,637	$ 11,334,106

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

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

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2019	$ 1,200,000	$ 23,775,856	$ 18,226,709	$ (2,019,890)	$ (1,384,564)	$ 39,798,111
Purchase of 200 shares treasury stock					(79,394)	(79,394)
Sale of 100 shares treasury stock					39,697	39,697
Comprehensive income for the year ended December 31, 2019			6,918,963	4,415,143		11,334,106
Cash dividends - $14.75 per share			(1,680,521)			(1,680,521)
Balance at December 31, 2019	1,200,000	23,775,856	23,465,151	2,395,253	(1,424,261)	49,411,999
Purchase of 3,432 shares treasury stock					(1,669,290)	(1,669,290)
Comprehensive income for the year ended December 31, 2020			8,280,483	4,848,154		13,128,637
Cash dividends - $11.20 per share			(1,275,221)			(1,275,221)
Balance at December 31, 2020	$ 1,200,000	$ 23,775,856	$ 30,470,413	$ 7,243,407	$ (3,093,551)	$ 59,596,125

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

SNB FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 8,280,483	$ 6,918,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	173,687	173,059
Provision for loan losses	240,000	-
Net premium amortization on investment securities	1,447,084	936,115
Loss on disposals of premises and equipment	2,679	-
Gain on sale of other assets	(2,799,999)	-
Net earnings on bank-owned life insurance	(112,626)	(121,816)
Stock dividends	(2,100)	(3,300)
(Increase) decrease in accrued income and other assets	443,068	(701,608)
Decrease in accrued expenses and other liabilities	(29,397)	(14,201)
Total Adjustments	(637,604)	268,249
Net Cash Provided by Operating Activities	7,642,879	7,187,212
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in interest-bearing deposits in financial institutions maturing in more than three months	-	(494,000)
Purchases of available-for-sale investment securities	(50,607,116)	(68,365,396)
Proceeds from maturities and calls of available-for-sale investment securities	64,721,429	57,213,572
Purchase of Federal Home Loan Bank (FHLB) stock	(10,200)	(7,300)
Investment in reverse repurchase agreement	(10,148,625)	-
Net (increase) decrease in loans	1,665,939	(3,264,120)
Recoveries of loans previously charged-off	2,767	183,525
Purchases of premises and equipment	(138,310)	(303,230)
Proceeds from sale of other assets	2,800,000	-
Net Cash Provided (Used) by Investing Activities	8,285,884	(15,036,949)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	20,408,541	26,888,691
Net decrease in certificates of deposit	(1,837,141)	(2,708,741)
Purchases of treasury stock	(1,669,290)	(79,394)
Sales of treasury stock	-	39,697
Dividends paid	(1,275,221)	(1,680,521)
Net Cash Provided by Financing Activities	15,626,889	22,459,732
Net increase in cash and cash equivalents	31,555,652	14,609,995
Cash and cash equivalents at beginning of year	92,761,475	78,151,480
Cash and cash equivalents at end of year	$ 124,317,127	$ 92,761,475
Supplemental Schedule of Operating and Investing Activities:		
Interest paid	$ 569,856	$ 771,393

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

THE STATE NATIONAL BANK
BALANCE SHEETS
(BANK ONLY)
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents:		
Cash and due from banks - Note 3	$ 9,278,874	$ 10,895,349
Interest-bearing deposits in financial institutions maturing in less than three months	109,062,280	78,621,926
Total cash and cash equivalents	118,341,154	89,517,275
Interest-bearing deposits in financial institutions maturing in more than three months	494,000	494,000
Reverse repurchase agreement - Note 2	10,148,625	-
Investment securities - Note 4	225,202,402	235,915,645
Restricted stock, at cost - Note 2	313,350	301,050
Equity investments, at cost - Note 2	205,364	205,364
Loans, net of deferred loan fees and allowance for loan losses - Note 5	86,504,800	88,413,507
Premises and equipment, net of accumulated depreciation	1,692,266	1,729,150
Bank-owned life insurance - Note 7	5,525,459	5,412,108
Accrued interest receivable	3,193,022	3,524,994
Other assets	189,010	300,830
Total Assets	$ 451,809,452	$ 425,813,923
LIABILITIES		
Deposits	$ 398,131,226	$ 379,539,452
Other liabilities:		
Accrued interest payable	79,836	128,664
Accrued expenses and other liabilities	237,056	217,625
Total other liabilities	316,892	346,289
Total Liabilities	398,448,118	379,885,741
Commitments and contingencies - Notes 10, 11, 12, 13, 14 and 15		
SHAREHOLDER'S EQUITY - Notes 16 and 17		
Common stock - par value $10 a share:		
Authorized - 120,000 shares		
Issued and outstanding - 113,682 shares	1,136,820	1,136,820
Capital surplus	3,607,044	3,607,044
Retained earnings	41,374,063	38,789,065
Accumulated other comprehensive income	7,243,407	2,395,253
Total Shareholder's Equity	53,361,334	45,928,182
Total Liabilities and Shareholder's Equity	$ 451,809,452	$ 425,813,923

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

THE STATE NATIONAL BANK
STATEMENTS OF INCOME
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Interest income		
Interest and fees on loans	$ 5,040,883	$ 5,521,781
Interest and dividends on investment securities:		
Taxable	2,604,593	3,077,140
Exempt from federal income taxes	1,807,948	1,446,064
	4,412,541	4,523,204
Interest on federal funds sold, reverse repurchase agreement and interest-bearing deposits with financial institutions	446,326	1,188,104
Total interest income	9,899,750	11,233,089
Interest expense		
Interest on deposits	521,028	826,058
Total interest expense	521,028	826,058
Net interest income	9,378,722	10,407,031
Provision for loan losses - Note 5	240,000	-
Net interest income after provision for loan losses	9,138,722	10,407,031
Non-interest income		
Service charges and fees	620,743	731,939
Loss on disposals of premises and equipment	(2,679)	-
Net earnings on bank-owned life insurance	112,626	121,816
Other	61,702	109,212
Total non-interest income	792,392	962,967
Non-interest expense		
Salaries and employee benefits	2,839,084	2,663,695
Occupancy expense	728,109	608,476
Other	1,778,923	1,654,683
Total non-interest expense	5,346,116	4,926,854
Net Income	$ 4,584,998	$ 6,443,144

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

THE STATE NATIONAL BANK
STATEMENTS OF COMPREHENSIVE INCOME
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net Income	$ 4,584,998	$ 6,443,144
Other Comprehensive Income		
Securities available-for-sale:		
Change in net unrealized gain for the year	4,848,154	4,415,143
Other comprehensive income	4,848,154	4,415,143
Comprehensive Income	$ 9,433,152	$ 10,858,287

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

THE STATE NATIONAL BANK
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2019	$1,136,820	$ 3,607,044	$ 33,845,921	$ (2,019,890)	$ 36,569,895
Comprehensive income for the year ended December 31, 2019			6,443,144	4,415,143	10,858,287
Cash dividends paid - $13.20			(1,500,000)		(1,500,000)
Balance at December 31, 2019	1,136,820	3,607,044	38,789,065	2,395,253	45,928,182
Comprehensive income for the year ended December 31, 2020			4,584,998	4,848,154	9,433,152
Cash dividends paid - $17.59			(2,000,000)		(2,000,000)
Balance at December 31, 2020	$1,136,820	$ 3,607,044	$ 41,374,063	$ 7,243,407	$ 53,361,334

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

THE STATE NATIONAL BANK
STATEMENTS OF CASH FLOWS
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,584,998	$ 6,443,144
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	172,515	171,887
Provision for loan losses	240,000	-
Net premium amortization on investment securities	1,447,084	936,115
Loss on disposals of premises and equipment	2,679	-
Net earnings on bank-owned life insurance	(112,626)	(121,816)
Stock dividends	(2,100)	(3,300)
(Increase) decrease in accrued income and other assets	443,067	(701,607)
Decrease in accrued expenses and other liabilities	(29,397)	(9,966)
Total Adjustments	2,161,222	271,313
Net Cash Provided by Operating Activities	6,746,220	6,714,457
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in interest-bearing deposits in financial institutions maturing in more than three months	-	(494,000)
Purchases of available-for-sale investment securities	(50,607,116)	(68,365,396)
Proceeds from maturities and calls of available-for-sale investment securities	64,721,429	57,213,572
Purchase of Federal Home Loan Bank (FHLB) stock	(10,200)	(7,300)
Investment in reverse repurchase agreement	(10,148,625)	-
Net (increase) decrease in loans	1,665,939	(3,264,120)
Recoveries of loans previously charged-off	2,767	183,525
Purchases of premises and equipment	(138,310)	(303,230)
Net Cash Provided (Used) by Investing Activities	5,485,884	(15,036,949)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	20,428,915	26,934,034
Net decrease in certificates of deposit	(1,837,140)	(2,708,741)
Dividends paid	(2,000,000)	(1,500,000)
Net Cash Provided by Financing Activities	16,591,775	22,725,293
Net increase in cash and cash equivalents	28,823,879	14,402,801
Cash and cash equivalents at beginning of year	89,517,275	75,114,474
Cash and cash equivalents at end of year	$ 118,341,154	$ 89,517,275
Supplemental Schedule of Operating and Investing Activities:		
Interest paid	$ 569,856	$ 771,393

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

Note 1 History

The State National Bank was chartered in January 1909 and opened for business on March 1, 1909.

On December 19, 2003, The State National Bank (the Bank) acquired the First National Bank of O'Donnell in a purchase transaction. The acquisition was structured as follows: SNB Financial, Inc. (formerly O'Donnell Bancshares, Inc.) and the Bank entered into a Share Exchange Agreement in order to effect the acquisition of 100% of the issued and outstanding common stock of the Bank. Each eligible Bank Shareholder received one share of Corporation stock in exchange for each share of Bank stock owned.

After SNB Financial, Inc. (Corporation) had completed the acquisition, the Bank stock was transferred to SNB Delaware Financial, Inc. (Delaware) in exchange for 1,000 shares (100%) of the issued and outstanding common stock of Delaware. Consequently, the Corporation holds 100% of the common stock of Delaware and Delaware holds 100% of the common stock of the Bank.

Note 2 Summary of Significant Accounting Policies

The consolidated financial statements of the Corporation include its accounts and those of its one hundred percent (100%) owned subsidiary, SNB Delaware Financial, Inc., and Delaware's one hundred percent (100%) owned subsidiary, The State National Bank. The accounting and reporting policies of all three entities are in accordance with accounting principles generally accepted in the United States of America. A summary of the more significant policies follows:

Principles of Consolidation and Recording of Investment in Subsidiaries

SNB Financial, Inc. and SNB Delaware Financial, Inc. account for their continuing investment in subsidiaries under the "equity method" of accounting in Company Only statements. In the consolidated statements, all significant intercompany accounts and transactions have been eliminated upon consolidation.

Nature of Operations

SNB Financial, Inc. is the top-tier bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, SNB Delaware Financial, Inc. SNB Delaware Financial, Inc. is the lower-tier bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, The State National Bank. The State National Bank generates commercial (including agricultural), mortgage and consumer loans and receives deposits from customers located primarily in Big Spring, Lamesa, and O'Donnell, Texas and the surrounding areas. The Bank operates under a national bank charter and provides full banking services. As a national bank, the Bank is subject to regulation by the Office of the Comptroller of the Currency.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Summary of Significant Accounting Policies, continued

Estimates, continued

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Corporation's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Corporation to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is possible cannot be reasonably estimated.

Cash and Cash Equivalents

For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents are defined as those amounts included in cash and amounts due from depository institutions, interest-bearing deposits maturing in three months or less and federal funds sold.

Reverse Repurchase Agreement

In November 2020, the Bank entered into a reverse repurchase agreement with UMB Bank whereby the Bank purchased $10,000,000 of GNMA/FNMA Trust Certificates subject to an agreement to resell these assets at maturity on January 4, 2021. The reverse repurchase agreement is carried at cost of $10,148,625 at December 31, 2020. Interest rate is one month Libor plus 35 BPS (0.85%) at December 31, 2020.

Investment Securities

The Corporation accounts for investment securities according to authoritative guidance issued by the Financial Accounting Standards Board (FASB). Under the provisions of the FASB authoritative guidance, debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in other income and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Note 2 Summary of Significant Accounting Policies, continued

Investment Securities, continued

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their amortized cost that are other than temporary result in writedowns of the individual securities to their fair value. The related writedowns are included in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Restricted Stock

Restricted stock is stock from the Federal Home Loan Bank (FHLB) and the Federal Reserve Bank (Fed), which are restricted as to their marketability. Because no ready market exists for these investments and they have no quoted market value, the Corporation's investment in these stocks is carried at cost. At December 31, 2020 and 2019, the Corporation had $142,350 recorded for Fed stock. A minimum investment in Fed stock is required for member banks. At December 31, 2020 and 2019, the Corporation had $171,000 and $158,700, respectively, recorded for stock in FHLB. A minimum investment in FHLB stock is required to be a member of the FHLB system. A determination as to whether there has been an impairment of a restricted stock investment is performed on a quarterly basis and includes a review of the current financial condition of the issuer. During 2020 and 2019, no impairment loss was recorded.

Equity Investments

Equity securities not using the equity method are carried at estimated fair value based on information provided by a third party pricing service with changes in fair value and realized gains or losses reported in non-interest income. If fair value is not readily determinable, the equity security is carried at cost subject to adjustments for any observable market transactions on the same or similar instruments of the investee. All equity securities are evaluated at least annually for impairment. The Bank's equity securities are shares of stock in the Independent Bankers Financial Corporation (IBFC) and do not have a readily determinable fair value; therefore, these investments are carried at cost and evaluated annually for impairment. During 2019, the carrying amount of the equity securities was written down by $7,596 to reflect cost basis. No impairment loss was recognized in 2020.

Loans

Loans are stated at the principal amount outstanding less deferred loan fees and the allowance for loan losses. Interest income on all loans is recognized based upon the principal amounts outstanding. The accrual of interest on a loan is discontinued when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal. Interest previously earned, but uncollected on such loans, is reversed from income. All payments collected on such loans are applied to reduce the principal balance. Interest is not recorded as income until the principal is paid in full or until such time as the loan is returned to an accrual status. Past due status is determined based on contractual terms.

Note 2 Summary of Significant Accounting Policies, continued

Loans, continued

Loan origination fees are generally recognized as income and loan origination costs are expensed as incurred, as management has determined that capitalization of these items would be immaterial to the consolidated financial statements. However, due to the significant amount of SBA fees generated from the origination of Paycheck Protection Program (PPP) loans, the Bank is deferring those fees over the 24-60 month term of those loans. The deferred fees are recognized in income when the PPP loans are forgiven by SBA.

Allowance for Loan Losses

The allowance for loan losses is comprised of amounts charged against income in the form of the provision for loan losses, less charged-off loans, net of recoveries. Loans are charged against the allowance for loan losses when management believes that collection of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance for loan losses.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

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

A loan is considered impaired when, based on current information and events, it is probable that the Corporation 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 of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis.

Note 2 Summary of Significant Accounting Policies, continued

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line and accelerated methods based upon the estimated useful lives of the assets.

Maintenance and repairs are charged to operating expenses. Renewals and betterments are added to the asset accounts and depreciated over the periods benefited. Depreciable assets sold or retired are removed from the asset and related accumulated depreciation accounts and any gain or loss is reflected in the income and expense accounts.

Other Real Estate

Other real estate is foreclosed property held pending disposition and is initially recorded at fair value less estimated selling costs when acquired, establishing a new cost basis. At foreclosure, if the fair value of the real estate acquired less estimated selling costs is less than the Corporation's recorded investment in the related loan, a writedown is recognized through a charge to the allowance for loan losses. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent writedowns are recorded as a charge to income, if necessary, to reduce the carrying value of the property to its fair value less estimated selling costs. Sales of other real estate are accounted for according to authoritative guidance issued by the FASB.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Corporation, (2) 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 (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Federal Income Taxes

Effective January 1, 2006, the shareholders of the Corporation elected to be taxed as a Subchapter "S" Corporation under Internal Revenue Service Code Section 1362. In lieu of corporate income taxes, the shareholders of a Subchapter S Corporation are taxed on their proportionate share of the Corporation's taxable income.

The Companies join in filing federal income tax returns. The Companies maintain their records for financial reporting and income tax reporting on the accrual basis of accounting.

Note 2 Summary of Significant Accounting Policies, continued

Federal Income Taxes, continued

In accordance with authoritative guidance issued by the FASB, the Corporation performed an evaluation to determine if there were any uncertain tax positions that would have an impact on the consolidated financial statements. No uncertain tax positions were identified. The December 31, 2017 through December 31, 2020 tax years remain subject to examination by the Internal Revenue Service. The Corporation does not believe that any reasonably possible changes will occur within the next 12 months which will have a material impact on the consolidated financial statements. The Corporation records incurred penalties and interest in other non-interest expense. There were no penalties and interest assessed by taxing authorities during 2020 or 2019.

Advertising Costs

Advertising costs are expensed as incurred. During 2020 and 2019, advertising costs in the amount of $36,247 and $35,992, respectively, were expensed.

Comprehensive Income

The Corporation has adopted authoritative guidance issued by the FASB which establishes standards for reporting and display of comprehensive income and its components. These standards require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale investment securities, are reported as a separate component in shareholders' equity. These items, along with net income, are components of comprehensive income. The Corporation reports comprehensive income in the statement of comprehensive income.

Reclassifications

Certain accounts have been reclassified in the consolidated financial statements of 2019 to conform to the 2020 presentation.

Defined Benefit Pension Plan

The Corporation's Defined Benefit Pension Plan is a multi-employer plan. See Note 13 – Employee Benefit Plans for additional information related to this plan.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the consolidated financial statements are available to be issued. The Corporation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Corporation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued. The Corporation has evaluated subsequent events from December 31, 2020 through March 25, 2021, the date the financial statements were available to be

Note 2 Summary of Significant Accounting Policies, continued

Subsequent Events, continued

issued and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or would require additional disclosure.

Accounting Standards Adopted in 2020 and 2019

In March 2017, the FASB issued ASU No. 2017-08, *Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For entities other than public business entities, the amendments are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments of this update are applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Corporation adopted this ASU in 2020 and it did not have a material impact on the Corporation's consolidated financial statements.

The FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU eliminates, adds, and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. The standard is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Corporation adopted this guidance effective January 1, 2020 and it did not have a material impact on the Corporation's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* to replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers. The guidance is codified at FASB ASC 606. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Corporation's revenue is composed of net interest income and non-interest income. The scope of the guidance explicitly excludes net interest income, as well as many other revenues for financial assets and liabilities including loans, leases, securities, and derivatives. Accordingly, the majority of the Corporation's revenues were not affected. Adoption of ASU No. 2014-09, which was effective for the Corporation on January 1, 2019, did not have a material impact on the Corporation's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. The guidance also changes certain disclosure requirements and other aspects of current accounting principles. Adoption of ASU No. 2016-01, which was effective for the Corporation on January 1, 2019, did not have a material impact on the Corporation's consolidated financial statements.

Note 2 Summary of Significant Accounting Policies, continued

Accounting Standards Adopted in 2020 and 2019, continued

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This amendment provides guidance on eight specific cash flow issues, including the following which may affect the Corporation: (1) debt prepayment or debt extinguishment costs should be classified as cash flows for financing activities and (2) proceeds from the settlement of claims, proceeds from the settlement of bank-owned life insurance policies, should be classified as cash flows from investing activities. Cash payments for premiums on bank-owned life insurance may be classified as cash flows for investing or operating activities. The amendments in this update are effective for entities other than public business entities for fiscal years beginning after December 15, 2018. The Corporation adopted this guidance effective January 1, 2019 and implementation of this standard did not have a significant impact on the Corporation's consolidated financial statements.

Accounting Standards Pending Adoption

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets. The standard will require organizations to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update were originally effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021; however, in July 2020, the FASB voted to delay the effective date of this accounting standard for one year due to the unprecedented challenges of the COVID-19 pandemic. Therefore, the amendments of this update are now effective for fiscal years beginning after December 15, 2021 and interim periods within those fiscal years beginning after December 15, 2022. Implementation of this standard is not expected to have a significant impact on the Corporation's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The standard requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The standard also requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio.

Note 2 Summary of Significant Accounting Policies, continued

Accounting Standards Pending Adoption, continued

These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Additionally, the standard amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For non-public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. An entity will apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Corporation believes the amendments in this update will have an impact on the Corporation's consolidated financial statements and is working to evaluate the significance of that impact.

Note 3 Restrictions on Cash and Due from Banks

Prior to 2020, banks were required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. In 2020, the Federal Reserve Board announced that the reserve requirement ratios would be reduced to zero percent effective March 26, 2020. This action eliminated the reserve requirements for all depository institutions. At December 31, 2019, the Corporation was not required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank.

Note 4 Investment Securities

The amortized cost and fair values of investment securities at December 31, 2020 are as follows:

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
U.S. Treasury notes	$ 27,853,119	$ 580,266	$ -	$ 28,433,385
U.S. Government agencies and corporations	72,935,580	2,372,376	(25,234)	75,282,722
Obligations of states and political subdivisions	117,170,296	4,316,714	(715)	121,486,295
Total investment securities	$ 217,958,995	$ 7,269,356	$ (25,949)	$ 225,202,402

The balance sheet as of December 31, 2020 reflects the fair value of available-for-sale securities in the amount of $225,202,402. A net unrealized gain of $7,243,407 is in the available-for-sale investment securities balance. The unrealized gain is included in shareholders' equity.

Note 4 Investment Securities, continued

The amortized cost and fair values of investment securities at December 31, 2019 are as follows:

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
U.S. Treasury notes	$ 42,697,583	$ 326,124	$ (10,651)	$ 43,013,056
U.S. Government agencies and corporations	80,790,628	715,249	(64,358)	81,441,519
Obligations of states and political subdivisions	110,032,181	1,550,614	(121,725)	111,461,070
Total investment securities	$ 233,520,392	$ 2,591,987	$ (196,734)	$ 235,915,645

The balance sheet as of December 31, 2019 reflects the fair value of available-for-sale securities in the amount of $235,915,645. A net unrealized gain of $2,395,253 is in the available-for-sale investment securities balance. The unrealized gain is included in shareholders' equity.

The amortized costs and fair values of investment securities at December 31, 2020, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$ 42,658,662	$ 42,951,899
After one year through five years	80,956,809	83,376,007
After five years through ten years	90,018,883	94,253,988
After ten years	4,324,641	4,620,508
Totals	$ 217,958,995	$ 225,202,402

Investment securities with carrying amounts of $25,293,095 and $10,199,934 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

There were no sales of investment securities during 2020 or 2019.

Note 4 Investment Securities, continued

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

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2020:						
Federal agencies	$ 11,068,442	$ (25,234)	$ -	$ -	$ 11,068,442	$ (25,234)
State and municipal governments	810,325	(715)	-	-	810,325	(715)
Total	$ 11,878,767	$ (25,949)	$ -	$ -	$ 11,878,767	$ (25,949)
December 31, 2019:						
Federal agencies	$ 13,247,322	$ (42,293)	$ 26,245,696	$ (32,716)	$ 39,493,018	$ (75,009)
State and municipal governments	15,776,085	(101,851)	10,213,938	(19,874)	25,990,023	(121,725)
Total	$ 29,023,407	$ (144,144)	$ 36,459,634	$ (52,590)	$ 65,483,041	$ (196,734)

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. No impairment losses on investment securities were recorded during 2020 or 2019.

At December 31, 2020, the 12 debt securities with unrealized losses have depreciated 0.22% from the Corporation's amortized cost basis. These securities are guaranteed by either the U.S. Government or other governments. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary.

Note 5 Loans and Allowance for Loan Losses

An analysis of loan categories at December 31, 2020 and 2019 is as follows:

	2020	2019
Commercial loans	$ 21,996,029	$ 16,374,576
Agricultural loans	8,960,525	13,268,003
Real estate (RE) loans:		
Construction, land and land development	3,504,149	5,023,805
Residential 1-4 family	4,811,044	5,303,161
Commercial RE	47,556,145	47,690,361
Consumer and other loans	1,778,285	2,560,183
	88,606,177	90,220,089
Less: Allowance for loan losses	(2,040,188)	(1,806,582)
Deferred loan fees	(61,189)	-
Loans, net	$ 86,504,800	$ 88,413,507

Included in consumer and other loans above are overdrafts of $6,586 and $10,229 at December 31, 2020 and 2019, respectively.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law which introduced the Paycheck Protection Program (PPP). The goal of this program was to prevent job loss and failure of small businesses as a result of the COVID-19 pandemic. If the borrower met certain criteria, PPP loans were eligible for forgiveness under the SBA’s loan forgiveness program. During 2020, the Bank originated PPP loans for 136 borrowers totaling $8,225,667. The loan amounts ranged from $2,187 to $682,497. As of December 31, 2020, there were 34 outstanding PPP loans with balances totaling $2,011,169 included in Commercial and Agricultural loans shown above.

Loans with a carrying amount of approximately $84,943,000 and $87,438,000 at December 31, 2020 and 2019, respectively, were pledged as collateral on the Federal Home Loan Bank line of credit. Refer to Note 15 for additional information.

Note 5 Loans and Allowance for Loan Losses, continued

Transactions in the allowance for loan losses in 2020 are summarized as follows:

	Commercial	Agricultural	Real Estate	Consumer and Other	Unallocated	2020 Total
Allowance for Loan Losses:						
Balance, beginning of year	$ 230,905	$ 342,946	$ 791,102	$ 37,944	$ 403,685	$ 1,806,582
Provisions, charged (credited) to operating expenses	101,839	25,790	169,303	(3,416)	(53,516)	240,000
	332,744	368,736	960,405	34,528	350,169	2,046,582
Loans charged-off	-	-	-	(9,161)	-	(9,161)
Recoveries of loans previously charged-off	-	-	-	2,767	-	2,767
Net charge-offs	-	-	-	(6,394)	-	(6,394)
Balance, end of year	$ 332,744	$ 368,736	$ 960,405	$ 28,134	$ 350,169	$ 2,040,188
Ending balance: Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	332,744	368,736	960,405	28,134	350,169	2,040,188
Balance, end of year	$ 332,744	$ 368,736	$ 960,405	$ 28,134	$ 350,169	$ 2,040,188
Loans:						
Ending balance: Individually evaluated for impairment	$ -	$ -	$ -	$ -		$ -
Ending balance: Collectively evaluated for impairment	21,996,029	8,960,525	55,871,338	1,778,285		88,606,177
Ending balance total loans	$ 21,996,029	$ 8,960,525	$ 55,871,338	$ 1,778,285		$ 88,606,177

Note 5 Loans and Allowance for Loan Losses, continued

Transactions in the allowance for loan losses in 2019 are summarized as follows:

	Commercial	Agricultural	Real Estate	Consumer and Other	Unallocated	2019 Total
Allowance for Loan Losses:						
Balance, beginning of year	$ 260,692	$ 339,079	$ 849,988	$ 39,343	$ 139,756	$ 1,628,858
Provisions, charged (credited) to operating expenses	(29,787)	3,867	(232,623)	(5,386)	263,929	-
	230,905	342,946	617,365	33,957	403,685	1,628,858
Loans charged-off	-	-	-	(5,801)	-	(5,801)
Recoveries of loans previously charged-off	-	-	173,737	9,788	-	183,525
Net recoveries	-	-	173,737	3,987	-	177,724
Balance, end of year	$ 230,905	$ 342,946	$ 791,102	$ 37,944	$ 403,685	$ 1,806,582
Ending balance: Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: Collectively evaluated for impairment	230,905	342,946	791,102	37,944	403,685	1,806,582
Balance, end of year	$ 230,905	$ 342,946	$ 791,102	$ 37,944	$ 403,685	$ 1,806,582
Loans:						
Ending balance: Individually evaluated for impairment	$ -	$ 51,303	$ -	$ -		$ 51,303
Ending balance: Collectively evaluated for impairment	16,374,576	13,216,700	58,017,327	2,560,183		90,168,786
Ending balance total loans	$ 16,374,576	$ 13,268,003	$ 58,017,327	$ 2,560,183		$ 90,220,089

Note 5 Loans and Allowance for Loan Losses, continued

Federal regulations require that the Corporation periodically evaluate the risks inherent in its loan portfolio. In addition, the Corporation's regulatory agencies have authority to identify problem loans and, if appropriate, require them to be reclassified. There are three classifications for problem loans: Substandard, Doubtful and Loss. Substandard loans have one or more defined weaknesses and are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. Doubtful loans have the weaknesses of loans classified as "Substandard," with additional characteristics that suggest the weaknesses make collection or recovery in full after liquidation of collateral questionable on the basis of currently existing facts, conditions and values. There is a high possibility of loss in loans classified as "Doubtful." A loan classified as "Loss" is considered uncollectible and of such little value that continued classification of the credit as a loan is not warranted. If a loan or a portion thereof is classified as "Loss," it must be charged-off, meaning the amount of the loss is charged against the allowance for loan losses, thereby reducing that reserve. The Corporation also classifies some loans as "Watch" or "Other Loans Especially Mentioned" ("OLEM"). Loans classified as Watch are performing assets and classified as pass credits but have elements of risk that require more monitoring than other performing loans. Loans classified as OLEM are assets that continue to perform but have shown deterioration in credit quality and require close monitoring.

Loans by credit quality risk rating at December 31, 2020 and 2019 are as follows:

	Pass	Other Loans Especially Mentioned	Sub-Standard	Doubtful	Total
December 31, 2020:					
Commercial loans	$ 21,745,957	$ -	$ 250,072	$ -	$ 21,996,029
Agricultural loans	8,915,290	43,932	1,303	-	8,960,525
Real estate (RE) loans:					
Construction, land and land development	3,504,149	-	-	-	3,504,149
Residential 1-4 family	4,811,044	-	-	-	4,811,044
Commercial RE	47,061,486	10,717	483,942	-	47,556,145
Consumer and other loans	1,772,507	-	5,296	482	1,778,285
Totals	$ 87,810,433	$ 54,649	$ 740,613	$ 482	$ 88,606,177
December 31, 2019:					
Commercial loans	$ 16,374,576	$ -	$ -	$ -	$ 16,374,576
Agricultural loans	12,210,027	914,575	143,401	-	13,268,003
Real estate (RE) loans:					
Construction, land and land development	4,979,976	15,541	28,288	-	5,023,805
Residential 1-4 family	5,303,161	-	-	-	5,303,161
Commercial RE	47,690,361	-	-	-	47,690,361
Consumer and other loans	2,556,321	1,565	2,297	-	2,560,183
Totals	$ 89,114,422	$ 931,681	$ 173,986	$ -	$ 90,220,089

Note 5 Loans and Allowance for Loan Losses, continued

At December 31, 2020 and 2019, there was one agricultural loan on nonaccrual totaling $1,303 and $51,303, respectively.

There were no impaired loans at December 31, 2020. A summary of information pertaining to impaired loans at December 31, 2019 is as follows.

	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2019:							
Agricultural loans	$ 108,716	$ 51,303	$ -	$ 51,303	$ -	$ 76,303	$ -
	$ 108,716	$ 51,303	$ -	$ 51,303	$ -	$ 76,303	$ -

The Bank has no commitments to loan additional funds to borrowers whose loans are impaired.

Troubled Debt Restructurings

The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. During 2020 and 2019, there were no restructurings of loans which were considered troubled debt restructurings.

The following table illustrates an age analysis of past due loans as of December 31, 2020:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More Past Due and Still Accruing
December 31, 2020:						
Commercial loans	$ 9,853	$ -	$ 9,853	$ 21,986,176	$ 21,996,029	$ -
Agricultural loans	-	-	-	8,960,525	8,960,525	-
Real estate (RE) loans:						
Construction, land and land development	-	-	-	3,504,149	3,504,149	-
Residential 1-4 family	-	-	-	4,811,044	4,811,044	-
Commercial RE	-	-	-	47,556,145	47,556,145	-
Consumer and other loans	-	-	-	1,778,285	1,778,285	-
Total	$ 9,853	$ -	$ 9,853	$ 88,596,324	$ 88,606,177	$ -

Note 5 Loans and Allowance for Loan Losses, continued

The following table illustrates an age analysis of past due loans as of December 31, 2019:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More Past Due and Still Accruing
December 31, 2019:						
Commercial loans	$ -	$ -	$ -	$ 16,374,576	$ 16,374,576	$ -
Agricultural loans	-	-	-	13,268,003	13,268,003	-
Real estate (RE) loans:						
Construction, land and land development	-	-	-	5,023,805	5,023,805	-
Residential 1-4 family	-	-	-	5,303,161	5,303,161	-
Commercial RE	-	-	-	47,690,361	47,690,361	-
Consumer and other loans	2,487	-	2,487	2,557,696	2,560,183	-
Total	$ 2,487	$ -	$ 2,487	$ 90,217,602	$ 90,220,089	$ -

Note 6 Premises and Equipment

The consolidated investment in premises and equipment at December 31, 2020 and 2019 is as follows:

	2020	2019
Land and land improvements	$ 135,301	$ 135,301
Buildings and improvements	3,844,183	3,678,863
Furniture and equipment	971,583	1,118,050
Fixed assets in process	179,817	120,954
	5,130,884	5,053,168
Less accumulated depreciation	(3,308,844)	(3,193,072)
Premises and equipment, net	$ 1,822,040	$ 1,860,096

Consolidated depreciation on premises and equipment charged to expense totaled $173,687 and $173,059 for the years ended December 31, 2020 and 2019, respectively.

Note 7 Bank-Owned Life Insurance

During 2016, the Corporation purchased single premium life insurance policies for a total cost of $5,000,000. These policies are split between two insurance carriers, New York Life and Mass. Mutual Life Insurance. The Bank is the beneficiary of these policies which insure the lives of selected key officers. The total death benefit on these policies is approximately $13,200,000. The carrying amount of bank-owned life insurance at December 31, 2020 and 2019 was $5,525,459 and $5,412,108, respectively. Net earnings on bank-owned life insurance during 2020 and 2019 was $112,626 and $121,816, respectively, and was recorded as non-interest income.

Note 8 Deposits

The carrying amounts of consolidated deposits at December 31, 2020 and 2019 are as follows:

	2020	2019
Demand	$ 144,723,706	$ 138,112,598
Interest-bearing transaction accounts	151,945,337	149,846,336
Savings	78,277,315	66,578,883
Certificates of deposit less than $250,000	16,954,391	18,563,321
Certificates of deposit $250,000 and over	6,101,433	6,329,644
Total deposits	$ 398,002,182	$ 379,430,782

Maturities of certificates of deposit for each of the next five years are:

2021	$ 21,281,607
2022	789,195
2023	200,000
2024	775,022
2025	10,000
Total	$ 23,055,824

Note 9 Related Party Transactions

During 2020 and 2019, the Corporation had transactions made in the ordinary course of business with certain of its officers, directors and principal shareholders. All loans included in such transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

A summary of these approximate transactions follows:

	Balance Beginning of Year	Additions	Amounts Collected	Balance End of Year
For the year ended:				
December 31, 2020	$ 2,240,600	$ 1,021,000	$ (1,503,600)	$ 1,758,000
December 31, 2019	$ 1,937,600	$ 1,356,000	$ (1,053,000)	$ 2,240,600

The Corporation held deposits of approximately $7,992,000 and $8,912,000 for related parties at December 31, 2020 and 2019, respectively.

Note 10 Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Corporation has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Corporation uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheet. No fees are charged relating to loan commitments. Most of the outstanding loan commitments are agricultural related, which occur as a by-product of the Corporation's budgeting estimates on those customers, where no formal contractual agreements exist.

Financial instruments whose contract amount represents credit risk were approximately as follows:

	2020	2019
Commitments to extend credit	$ 15,714,000	$ 10,679,000
Standby letters of credit	125,000	125,000

Note 10 Financial Instruments with Off-Balance-Sheet Risk, continued

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

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Letters of credit are primarily secured by certificates of deposit.

The Corporation has not been required to perform on any financial guarantees during the past two years. The Corporation has not incurred any losses on its commitments in either 2020 or 2019.

Note 11 Commitments and Contingent Liabilities

The Corporation is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Corporation.

Note 12 Compensated Absences

Employees of the Corporation are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 13 Employee Benefit Plans

<u>Defined Benefit Pension Plan</u>

The Corporation sponsors a non-contributory defined benefit plan which participates in the Pentegra Defined Benefit Pension Plan for Financial Institutions ("The Pentegra DB Plan"), a tax-qualified defined benefit pension plan. The Pentegra DB Plan's Employer Identification Number is 13-5645888 and the Plan Number is 333. The Pentegra DB Plan operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan.

Note 13 Employee Benefit Plans, continued

Defined Benefit Pension Plan, continued

The Pentegra DB Plan is a single employer plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan contributions made by a participating employer may be used to provide benefits to participants of other participating employers. As of June 30, 2019, the most recent data available based on financial statements provided by the plan, total plan assets were $3,896,070,650 and accumulated plan benefits/obligations were $32,960,878. As of June 30, 2019, the Pentegra DB Plan was 65-85% funded.

Total contributions made to the Pentegra DB Plan, as reported on Form 5500, were $134,657,871 for the plan year ending June 30, 2019 (the most current information available at the time of the audit). The Corporation's contributions to the Pentegra DB Plan are not more than 5% of the total contributions to the Pentegra DB Plan.

Plan benefits are based on years of service and the employee's average compensation during final years of employment. The Corporation's funding policy is to contribute amounts as determined by actuarial valuation. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The plan was amended in March 2013 to freeze membership into the plan for any employees hired on or after July 1, 2012. The plan was also amended to change the average salary in determining benefits from high 5-year average to career average for benefits earned after July 1, 2013. In May 2017, the Board approved a "hard freeze" which will cease future benefit accruals for plan participants effective July 1, 2017, due to increased costs associated with actuarial accounting and liability for the plan. At December 31, 2020, approximately 45% of employees were covered under this plan.

Based on the valuation reports as of July 1, 2020 and 2019, the funded status (market value of plan assets divided by funding target) of the Corporation's plan was 111.01% and 107.57%, respectively.

During 2020 and 2019, the Corporation expensed contributions to this plan in the amount of $105,183 and $109,500, respectively.

401(k) Profit Sharing Plan

The Corporation implemented a 401(k) Plan effective January 1, 2000 covering substantially all employees. The Corporation matched 100% of employee contributions up to 6% of employee compensation in 2020 and 2019. An additional discretionary match of 4% was approved for 2020 and 2019. Employer matching contributions were $214,951 and $197,590 for 2020 and 2019, respectively.

Note 14 Concentration of Credit Risk

The Corporation maintains its cash accounts with the Federal Reserve Bank and other correspondent banks. Generally, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. The Corporation had deposits totaling $42,003,540 in excess of the FDIC insurance coverage at December 31, 2020. Furthermore, federal funds sold are essentially uncollateralized loans to other financial institutions. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Corporation is not exposed to any significant credit risks on cash and cash equivalents.

The Corporation grants agribusiness, commercial and real estate loans to customers within Big Spring, Lamesa and O'Donnell, Texas and the surrounding area. A substantial portion of its debtors' ability to honor their contracts is dependent upon the agribusiness and real estate economic sectors in that geographic area.

Note 15 Lines of Credit

The Corporation has established a $10,000,000 unsecured line of credit with another financial institution for overnight purchase of federal funds. This line may be canceled without any prior notification. There were no outstanding balances on this line at December 31, 2020 and 2019.

The Corporation has established a borrowing line of credit with the Federal Home Loan Bank of Dallas. This borrowing line is collateralized by a blanket pledge of eligible loans with a carrying amount at December 31, 2020 of approximately $84,943,000. At December 31, 2020 and 2019, the Corporation had available borrowings on this line of approximately $30,548,000 and $27,119,000, respectively. There were no borrowings on this line at December 31, 2020 and 2019.

Note 16 Restrictions on Dividends

In the ordinary course of business, the Corporation is dependent upon dividends from The State National Bank to provide funds for the payment of dividends to shareholders and to provide for other cash requirements. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of The State National Bank to fall below specified minimum levels. Approval is also required if dividends declared exceed the net profits for that year combined with the retained net profits for the preceding two years. At December 31, 2020, The State National Bank could pay dividends of approximately $7,528,000 to the Corporation without prior regulatory approval and without adversely affecting its "well capitalized" status.

Note 17 Regulatory Capital

Banks are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory (and possibly additional discretionary) actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table on the following page) of total and Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020 and 2019, that the Bank met all capital adequacy requirements to which it is subject.

In addition to these requirements, banking organizations must maintain a 2.50% capital conservation buffer consisting of common Tier 1 equity, subject to a transition schedule with a full phase-in by 2019. Effective January 1, 2019, the Bank was required to establish a capital conservation buffer of 2.50%, increasing the minimum required total risk-based capital, Tier 1 risk-based and common equity Tier 1 capital to risk-weighted assets it must maintain to avoid limits on capital distributions and certain bonus payments to executive officers and similar employees.

The Bank's Tier 1 capital consists of shareholder's equity excluding unrealized gains and losses on securities available-for-sale.

During 2020, the Bank elected to adopt certain provisions of the Economic Growth, Regulatory Relief and Consumer Protection Act. The Bank met the eligibility requirements for the Community Bank Leverage Ratio (CBLR), a special alternative capital framework available to banks holding less than $10 billion in assets. As a result, the Bank was not subject to report the same ratios in 2020 as it did in 2019. As of December 31, 2020, the Bank's CBLR was 10.57%. The required minimum ratio under this provision was 9.0%; however, the CARES Act temporarily lowered the threshold to 8.0% through 2020 and 8.5% for calendar year 2021.

To be categorized as adequately capitalized in 2019, the Bank must maintain minimum common equity risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table on the following page. There are no conditions or events since that notification that management believes have changed the Bank's category. As of December 31, 2020, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

Note 17 Regulatory Capital, continued

The Bank's actual and required capital amounts and ratios are as follows (dollars in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Required to be Well Capitalized under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019:						
Total Risk-based Capital (to Risk-weighted Assets)	$ 45,340	31.22%	$ 11,618	8.00%	$ 14,522	10.00%
Tier 1 Capital (to Risk-weighted Assets)	$ 43,533	29.98%	$ 8,713	6.00%	$ 11,618	8.00%
Common Equity Tier 1 Capital (to Risk-weighted Assets)	$ 43,533	29.98%	$ 6,535	4.50%	$ 9,440	6.50%
Leverage Capital (to Adjusted Total Assets)	$ 43,533	10.53%	$ 16,543	4.00%	$ 20,678	5.00%

Note 18 Fair Value Measurements

The Corporation has adopted authoritative guidance issued by the FASB regarding fair value measurements for financial assets and financial liabilities. The authoritative guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

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

The authoritative guidance issued by the FASB 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 cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or

Note 18 Fair Value Measurements, continued

liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the 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 might 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 (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- ***Level 3 Inputs:*** Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments 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. These adjustments may include amounts to reflect counterparty credit quality and the Corporation's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Corporation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation'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: U.S. Treasury securities are reported at fair value utilizing Level 1 inputs. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Corporation 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 prepayment speeds, credit information and the bond's terms and conditions, among other things.

Note 18 Fair Value Measurements, continued

Impaired Loans: Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

Other Real Estate: Other real estate represents foreclosed assets that are reported at the fair value less estimated selling costs of the underlying property. The fair values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on information obtained from customized discounting criteria.

The following table summarizes financial assets 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 the fair value. At December 31, 2020 and 2019, there were no financial liabilities measured at fair value on a recurring basis.

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2020:				
Available-for-Sale				
U.S. Treasury notes	$ 28,433,385	$ -	$ -	$ 28,433,385
U.S. Government agencies and corporations	-	75,282,722	-	75,282,722
Obligations of states and political subdivisions	-	121,486,295	-	121,486,295
Totals	$ 28,433,385	$ 196,769,017	$ -	$ 225,202,402
December 31, 2019:				
Available-for-Sale				
U.S. Treasury notes	$ 43,013,056	$ -	$ -	$ 43,013,056
U.S. Government agencies and corporations	-	81,441,519	-	81,441,519
Obligations of states and political subdivisions	-	111,461,070	-	111,461,070
Totals	$ 43,013,056	$ 192,902,589	$ -	$ 235,915,645

Certain financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a non-recurring basis include certain impaired loans reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

Note 18 Fair Value Measurements, continued

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

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2020:				
Impaired loans	$ -	$ -	$ -	$ -
Less specific valuation allowance for possible loan losses	-	-	-	-
Impaired loans, net	$ -	$ -	$ -	$ -
December 31, 2019:				
Impaired loans	$ -	$ 51,303	$ -	$ 51,303
Less specific valuation allowance for possible loan losses	-	-	-	-
Impaired loans, net	$ -	$ 51,303	$ -	$ 51,303

Certain nonfinancial assets are measured at fair value on a non-recurring basis. Nonfinancial assets measured at fair value on a non-recurring basis include other real estate which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for loan losses and certain other real estate, which subsequent to their initial recognition, were remeasured at fair value through a writedown included in other non-interest expense. The fair value of other real estate is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. At December 31, 2020 and 2019, there was no other real estate.

OTHER FINANCIAL INFORMATION

SNB FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020

	SNB FINANCIAL, INC.	SNB DELAWARE FINANCIAL, INC.	THE STATE NATIONAL BANK	ELIMINATIONS	CONSOLIDATED BALANCES 2020
ASSETS					
Cash and due from banks	$ 128,411	$ 633	$ 9,278,874	$ (129,044)	$ 9,278,874
Interest-bearing deposits in financial institutions maturing in less than three months	5,975,973	-	109,062,280	-	115,038,253
Interest-bearing deposits in financial institutions maturing in more than three months	-	-	494,000	-	494,000
Reverse repurchase agreement	-	-	10,148,625	-	10,148,625
Investment in subsidiaries	53,361,967	53,361,334	-	(106,723,301)	-
Investment securities	-	-	225,202,402	-	225,202,402
Restricted stock, at cost	-	-	313,350	-	313,350
Equity investments, at cost	-	-	205,364	-	205,364
Loans, net of deferred loan fees and allowance for loan losses	-	-	86,504,800	-	86,504,800
Premises and equipment, net of accumulated depreciation	129,774	-	1,692,266	-	1,822,040
Bank-owned life insurance	-	-	5,525,459	-	5,525,459
Accrued interest receivable	-	-	3,193,022	-	3,193,022
Other assets	-	-	189,010	-	189,010
Total Assets	$ 59,596,125	$ 53,361,967	$ 451,809,452	$ (106,852,345)	$ 457,915,199
LIABILITIES					
Deposits	$ -	$ -	$ 398,131,226	$ (129,044)	$ 398,002,182
Other liabilities:					
Accrued interest payable	-	-	79,836	-	79,836
Accrued expenses and other liabilities	-	-	237,056	-	237,056
Total other liabilities	-	-	316,892	-	316,892
Total Liabilities	-	-	398,448,118	(129,044)	398,319,074
SHAREHOLDERS' EQUITY					
Common stock, $10 par value a share:					
Authorized - 1,000,000 shares					
Issued - 120,000 shares	1,200,000	1,000	1,136,820	(1,137,820)	1,200,000
Capital surplus	23,775,856	24,348,499	3,607,044	(27,955,543)	23,775,856
Retained earnings	30,470,413	21,769,061	41,374,063	(63,143,124)	30,470,413
Accumulated other comprehensive income	7,243,407	7,243,407	7,243,407	(14,486,814)	7,243,407
Treasury stock, at cost - 9,573 shares	(3,093,551)	-	-	-	(3,093,551)
Total Shareholders' Equity	59,596,125	53,361,967	53,361,334	(106,723,301)	59,596,125
Total Liabilities and Shareholders' Equity	$ 59,596,125	$ 53,361,967	$ 451,809,452	$ (106,852,345)	$ 457,915,199

See Independent Auditor's Report.

SNB FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	SNB FINANCIAL, INC.	SNB DELAWARE FINANCIAL, INC.	THE STATE NATIONAL BANK	ELIMINATIONS	CONSOLIDATED BALANCES 2020
Interest income					
Interest and fees on loans	$ -	$ -	$ 5,040,883	$ -	5,040,883
Interest on investment securities:					
Taxable	-	-	2,604,593	-	2,604,593
Exempt from federal income tax	-	-	1,807,948	-	1,807,948
	-	-	4,412,541	-	4,412,541
Interest on federal funds sold, reverse repurchase agreement and interest-bearing deposits with financial institutions	11,773	-	446,326	-	458,099
Total interest income	11,773	-	9,899,750	-	9,911,523
Interest expense					
Interest on deposits	-	-	521,028	-	521,028
Total interest expense	-	-	521,028	-	521,028
Net interest income	11,773	-	9,378,722	-	9,390,495
Provision for loan losses	-	-	240,000	-	240,000
Net interest income after provision for loan losses	11,773	-	9,138,722	-	9,150,495
Non-interest income					
Service charges and fees	-	-	620,743	-	620,743
Loss on disposals of premises and equipment	-	-	(2,679)	-	(2,679)
Gain on sale of other assets	2,799,999	-	-	-	2,799,999
Net earnings on bank-owned life insurance	-	-	112,626	-	112,626
Dividend income from subsidiaries	2,000,000	2,000,000	-	(4,000,000)	-
Equity in undistributed income of subsidiaries	2,584,543	2,584,998	-	(5,169,541)	-
Other	944,682	-	61,702	-	1,006,384
Total non-interest income	8,329,224	4,584,998	792,392	(9,169,541)	4,537,073
Non-interest expense					
Salaries and employee benefits	-	-	2,839,084	-	2,839,084
Occupancy expense	14,156	-	728,109	-	742,265
Other	46,358	455	1,778,923	-	1,825,736
Total non-interest expense	60,514	455	5,346,116	-	5,407,085
Net Income	$ 8,280,483	$ 4,584,543	$ 4,584,998	$ (9,169,541)	$ 8,280,483

See Independent Auditor's Report.

THE STATE NATIONAL BANK
NON-INTEREST EXPENSE
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Salaries and employee benefits:		
Officers' salaries	$ 1,686,313	$ 1,561,228
Employees' salaries	555,626	555,521
Payroll taxes	128,226	140,981
401(k) profit sharing and pension plan contributions	320,134	307,090
Employee benefits	148,785	98,875
Totals	2,839,084	2,663,695
Occupancy expense:		
Taxes - ad valorem	72,422	70,707
Depreciation - banking house	85,570	86,672
Janitorial supplies and service	33,636	34,591
Repairs and maintenance - building	275,892	167,494
Utilities	54,410	57,887
Depreciation - furniture and equipment	86,945	85,215
Machine maintenance and rentals	9,973	6,986
Other	109,261	98,924
Totals	728,109	608,476
Other expense:		
Directors' fees	76,500	71,250
Advertising	36,247	35,992
Contributions	18,000	23,350
Internet banking	10,930	10,298
Dues and subscriptions	25,682	23,602
Employee training	13,810	13,366
Trustee and actuaries' fees	4,658	6,530
Examination fees	125,556	82,220
FDIC assessment	80,722	49,000
Insurance - bonds	30,040	30,071
Accounting	107,949	101,698
Legal	12,704	7,526
Loan and collection expense	3,447	680
Other real estate expense	-	1,120
Postage and freight	66,403	62,730
Printing and supplies	63,707	51,219
Franchise and other taxes	11,486	12,200
Telephone	189,630	221,354
Travel and auto	41,240	44,485
Other bank service charges	46,338	4,654
Computer consultants and licenses	426,507	421,054
ATM fees and expenses	234,880	228,901
Compliance reviews	120,985	120,615
Miscellaneous	31,502	30,768
Totals	1,778,923	1,654,683
Total Non-Interest Expense	$ 5,346,116	$ 4,926,854

See Independent Auditor's Report.