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, Brent Woodruff
Name of the Holding Company Director and Official

President, COO and Director
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

03/20/2021
Date of Signature

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

- ☒ is included with the FR Y-6 report
- ☐ will be sent under separate cover
- ☐ is not prepared

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

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

12/31/2020
Month / Day / Year

549300HTV0IHSW60R297
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Pilgrim Bancorporation
Legal Title of Holding Company

2401 S Jefferson
(Mailing Address of the Holding Company) Street / P.O. Box

Mount Pleasant	Texas	75455
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Karah Pilgrim	VP and CFO
Name	Title

903-575-2315
Area Code / Phone Number / Extension

903-575-0383
Area Code / FAX Number

kpilgrim@pilgrimbank.com
E-mail Address

None
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."

Form FR Y-6

Pilgrim Bancorporation
2401 S. Jefferson
Mt. Pleasant, TX 75455

Fiscal Year Ending
December 31, 2020

Report Item 1:

1 a.) The BHC is not required to prepare form 10K with the SEC.

1 b.) The BHC does prepare an annual report for its shareholders.
Enclosed is a copy of the annual report.

Report Item 2a: Organizational Chart

PILGRIM BANCORPORATION
Mt. Pleasant, Texas 75455
Incorporated in Texas
LEI: 549300HTV0IHSW60R297

100%
PILGRIM BANK
Pittsburg, Texas 75686
Incorporated in Texas
LEI: 549300GMJ6RM02VXK542

100%
City Bancorp
Statutory Trust I
Mt. Pleasant, Texas 75455
Incorporated in Texas
LEI: NONE

100%
PBTX Holdings, Inc.
Mt. Pleasant, Texas 75455
Incorporated in Texas
LEI: NONE

Results: A list of branches for your depository institution: PILGRIM BANK (ID_RSSD: 911160).
This depository institution is held by PILGRIM BANCORPORATION (2098412) of MOUNT PLEASANT, 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)	911160	PILGRIM BANK	145 EAST MARSHALL STREET	PITTSBURG	TX	75686	CAMP	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	207564	CLARENDON BRANCH	123 EAST 3RD STREET	CLARENDON	TX	79226	DONLEY	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	4507217	DECATUR BRANCH	1405 WEST U.S. HIGHWAY 380	DECATUR	TX	76234	WISE	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	599157	ELECTRA BRANCH	100 N MAIN ST	ELECTRA	TX	76360-2413	WICHITA	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	2990226	HOLLIDAY BRANCH	400 S WALNUT ST	HOLLIDAY	TX	76366	ARCHER	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	588058	IOWA PARK BRANCH	104 WEST PARK STREET	IOWA PARK	TX	76367	WICHITA	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	2592901	MOUNT PLEASANT - SOUTH BRANCH	2401 SOUTH JEFFERSON AVENUE	MOUNT PLEASANT	TX	75455	TITUS	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Limited Service	3546237	MOUNT PLEASANT NORTH BRANCH	112 WEST 16TH STREET	MOUNT PLEASANT	TX	75455	TITUS	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Limited Service	3929625	PITTSBURG BROOKSHIRE BRANCH	102 NORTH GREER BLVD.	PITTSBURG	TX	75686-1409	CAMP	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	3246368	SULPHUR SPRINGS BRANCH	1404 S BROADWAY	SULPHUR SPRINGS	TX	75482-4831	HOPKINS	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	3911479	VERNON BRANCH	901 HILLCREST DRIVE	VERNON	TX	76384	WILBARGER	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	2724832	WELLINGTON BRANCH	1705 EAST 15TH STREET	WELLINGTON	TX	79095	COLLINGSWORTH	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Limited Service	2990235	IOWA PARK ROAD BRANCH	2618 IOWA PARK ROAD	WICHITA FALLS	TX	76306	WICHITA	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	2990253	JACKSBORO HIGHWAY BRANCH	4301 JACKSBORO HIGHWAY	WICHITA FALLS	TX	76302	WICHITA	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	
OK		Full Service	214067	WINDTHORST BRANCH	19048 US HIGHWAY 281	WINDTHORST	TX	76389	ARCHER	UNITED STATES	Not Required	Not Required	PILGRIM BANK	911160	

Form FR Y-6 | **Pilgrim Bancorporation** **2401 S. Jefferson** **Mt. Pleasant, TX 75455** | **Fiscal Year Ending** **December 31, 2020**

Report Item 3: Securities holders

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of 12-31-20 (1) and (2) footnote

a.	3(1)a	1(b.)	1 c.)
b.	Lonnie Ken Pilgrim Pittsburg, TX [redacted]	USA	11.93%
c.	Greta Pilgrim Henson Dallas, TX [redacted]	USA	7.21%
d.	Lonnie Ken Pilgrim 1999 Issue Trust Mount Pleasant, TX [redacted]	USA	25.66%
e.	Greta Pilgrim Owens 1999 Issue Trust Mount Pleasant, TX [redacted]	USA	21.96%
f.	Lonnie Ken Pilgrim 2003 GST Trust Mount Pleasant, TX [redacted]	USA	12.00%
g.	Greta Pilgrim Owens 2003 Trust Mount Pleasant, TX [redacted]	USA	10.27%

Shareholders not listed that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-20

None

Footnote

(1) Includes 73,623 shares of common stock held by each of the the LKP 2012 GST TRUST and the GPO 2012 GST TRUST. Mr. Capps serves as the trustee of each of these trusts and has sole voting power with respect to the shares held by these trusts. Each of the two trusts listed above own 73,623 shares or 3.29% of the total. Mr. Capps is also trustee for the Lonnie Ken Pilgrim 1999 Issue Trust 574,353 shares or 25.66%, the Greta Pilgrim Owens 1999 Issue Trust 491,566 shares or 21.96%, The Lonnie Ken Pilgrim 2003 GST Trust 268,635 shares or 12.00% and the Greta Pilgrim Owens 2003 GST Trust 229,914 shares or 10.27%

(2) Includes 73,623 shares of common stock held by each of the LKP 2012 GST TRUST and the GPO 2012 GST TRUST. Mr. Brenner serves as the trustee of each of these trusts and but has no voting power

with respect to the shares held by these trusts. Each of the two trusts listed above own 73,623 shares or 3.29% of the total.
Mr. Brenner is also trustee for the Lonnie Ken Pilgrim 1999 Issue Trust 574,353 shares or 25.66%, the Greta Pilgrim Owens 1999 Issue Trust 491,566 shares or 21.96%, The Lonnie Ken Pilgrim 2003 GST Trust 268,635 shares or 12.00% and the Greta Pilgrim Owens 2003 GST Trust 229,914 shares or 10.27%

(3) Includes 73,623 shares of common stock held by each of the LKP 2012 GST TRUST and the GPO 2012 GST TRUST. Mr. Pilgrim serves as the trustee of each of these trusts and but has no voting power with respect to the shares held by these trusts. Also includes 267,071 shares of common stock held by Mr. Pilgrim individually; 1,008 shares held by Greta Gail Simpson, Mr. Pilgrim's daughter and 1,007 shares held by Lonnie J. Pilgrim, Mr. Pilgrim's son.
Each of the two trusts listed above own 73,623 shares or 3.29% of the total.
Mr. Pilgrim is also trustee for the Lonnie Ken Pilgrim 1999 Issue Trust 574,353 shares or 25.66%, the Greta Pilgrim Owens 1999 Issue Trust 491,566 shares or 21.96%, The Lonnie Ken Pilgrim 2003 GST Trust 268,635 shares or 12.00% and the Greta Pilgrim Owens 2003 Trust 229,914 shares or 10.27%

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Pilgrim Bancorporation
2401 S. Jefferson
Mt. Pleasant, TX 75455

Fiscal Year Ending
December 31, 2020

Report tem 4: Insiders

1.) Name & Address	2.) Principal occupation, if other than with BHC	3 a.) Title or Position with the BHC	3 b.) Title or Position with Subsidiaries	3 c.) Title or Position with another company	4 a.) Percentage of voting shares in BHC	4 b.) Percentage of voting shares in subsidiaries	4 c.) Percentage of voting shares in another company (if 25% or more)	
Lonnie Ken Pilgrim Pittsburg, TX	Personal Investments	Chairman	Chairman (Pilgrim Bank)	General Partner - LKLJ Enterprises, LLC Owner - D&K Interests, LLC, KP Equipment & Repair, LLC, Executor - Patricia R. Pilgrim Estate Trustee - Lonnie A. Pilgrim 1998 Revocable Trust Patricia R Pilgrim 2011 Revocable Trust Pilgrim Family Irrevocable Life Insurance Trust Pilgrim Family Irrevocable Life Insurance Trust # 2 Greta Gail Pilgrim Irrevocable Trust 2010 Lonnie Jaggers Pilgrim Irrevocable Trust 2010 Greta G. Pilgrim Minority Trust Lonnie Jaggers Pilgrim Minority Trust Patricia Kate Hindman Minority Trust **/***	88.5%-controls	None	LKLJ Enterprises, LLC D&K Interests, LLC KP Equipment & Repair, LLC Patricia R. Pilgrim Estate	51% 50% 50%
Greta Pilgrim Henson Dallas, TX	Personal Investments	Director	None	Trustee-Pilgrim Foundation	7.21%	None	Pilgrim Foundation	50%
Lonnie J. Pilgrim Winfield, TX	Rancher	Director	Director (Pilgrim Bank)	Partner - LKLJ Enterprises, LLC Manager - D&K Interests, LLC	0.04%	None	LKLJ Enterprises, LLC	49%
Lanny R. Brenner Mt. Pleasant, TX	Banker	CEO/Director	Chairman/Director (Pilgrim Bank)	VP/Director - Camp County Service Industries Independent Co-Executor - Lonnie A Pilgrim Estate which holds 100% of Pilgrim Enterprises Trustee Lonnie A Pilgrim 1998 Revocable Trust **** / *****	69 89%	None	Pilgrim Enterprises	33%
Richard W. Strudthoff Mt. Pleasant, TX	Banker	President & Director	President/CLO & Director (Pilgrim Bank)	President/PBTX Holdings,Inc. Partner - Snow Cat Ventures, LLC	0.00%	None	Snow Cat Ventures, LLC	50%
Linda Grundish Pittsburg, TX	Real Estate Investment/ Car Wash Owner	Director	Director (Pilgrim Bank)	Partner - PKL Investments of Pittsburg, LLC Scrubbies Wash USA, Inc. IITFWI, LLC Scrubbies Oil & Gas, LLC Texabama White Sands Rentals, LLC	0.03%	None	PKL Investments of Pittsburg, LLC Scrubbies Wash USA, Inc Scrubbies Oil & Gas, LLC Texabama White Sands Rentals, LLC	33% 33% 33% 33%
Blair MacBeath Pittsburg, TX	M D.	Director	Director (Pilgrim Bank)	Physician - UT Health Physicians Pittsburg Director UT Health Physicians Pittsburg	0.05%	None	None	None
Billy McMinn Pittsburg, TX	Farmer/Rancher	Director	Director (Pilgrim Bank)	Owner - McMinn Ranch Camp County Monument Co.	0.05%	None	McMinn Ranch & Camp County Monument Co.	100% 100%

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Pilgrim Bancorporation
2401 S. Jefferson
Mt. Pleasant, TX 75455

Fiscal Year Ending
December 31, 2020

Report tem 4: Insiders

1.) Name & Address	2.) Principal occupation, if other than with BHC	3 a.) Title or Position with the BHC	3 b.) Title or Position with Subsidiaries	3 c.) Title or Position with another company	4 a.) Percentage of voting shares in BHC	4 b.) Percentage of voting shares in subsidiaries	4 c.) Percentage of voting shares in another company (if 25% or more)	
Brian Dyke Mount Pleasant, TX	CPA	Director	Director (Pilgrim Bank)	President and Principal Partner McGuire-Dyke Certified Public Accountants, PC Managing Member McGuire Dyke Holdings, LLC Trustee- Trinity Baptist Church	0.00%	None	McGuire-Dyke Certified Public Accountants, PC McGuire Dyke Holdings, LLC	100% 100%
Joseph H. Nears Mount Pleasant, TX	General Manager	Director	Director (Pilgrim Bank)	General Manager Pilgrim Enterprises Independent Co-Executor - Lonnie A Pilgrim Estate which holds 100% of Pilgrim Enterprises Trustee Joseph Howard Nears, Jr. Trust UM Mary J Nears. Lonnie A Pilgrim 1998 Revocable Trust Pilgrim Enterprises Secondary Employee Benefits Plan and Trust	0.00%	N/A	Pilgrim Enterprises	33%
Kenneth Smith Pittsburg, TX	Home Builder	Director	Director (Pilgrim Bank)	Sunbelt Ready Built Homes SmithCo Smith Properties	0.16%	None	SmithCo Smith Properties	51% 50%
Steven M. Capps Mt. Pleasant, TX	Owner/Agent	Director	Director (Pilgrim Bank)	Owner/Agent - Capps Insurance Agency-Mt. Pleasant/Capps Properties, Ltd., Capps Speciality Coverage, Ltd./Capps Holdings, Ltd., Capps Insurance Services/Steve Capps Agency, Ltd., Hughes Springs Insurance Agency/Capps General Agency, Ltd., Health Mgmnt Concepts, Inc Owner/President - Kingsway Property Inv. Inc./Clear View Land Mgmnt & Sales, Inc. VP Hope Ministries of Northeast Texas Trustee - The Steve and Judy Capps Family Trust The Capps Living Trust The Capps Family Trust **** / *****	76 50%	None	Capps Insurance Agency-Mt. Pleasant/Capps Properties, Ltd., Capps Speciality Coverage, Ltd./Capps Holdings, Ltd., Capps Insurance Services Hughes Springs Insurance Agency/Capps General Agency, Ltd., Health Mgmnt Concepts, Inc Kingsway Property Inv. Inc./Clear View Land Mgmnt & Sales, Inc.	90% / 100% 100% / 100% 100% 100% / 100% 100% 51% / 51%
Karah Pilgrim Winfield,TX	Banker	VP/CFO	VP/CFO (Pilgrim Bank)	None	0.00%	None		None
Brent Woodruff Mt. Pleasant, TX	Banker	President/COO Director	President/CEO/ COO/Director (Pilgrim Bank)	CFO & COO PBTX Holdings, Inc.	0.00%	None		None

****** These 2 separate trusts, LKP 2012 GST Trust & GPO 2012 GST Trust, own 73,623 shares (3.29%) of Pilgrim Bancorporation stock each.
Steve Capps, Lanny R. Brenner and Lonnie K. Pilgrim are all three trustees of both trusts combined. Steve Capps is the only trustee with voting power.

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Pilgrim Bancorporation
2401 S. Jefferson
Mt. Pleasant, TX 75455

Fiscal Year Ending
December 31, 2020

Report tem 4: Insiders

1.) Name & Address	2.) Principal occupation, if other than with BHC	3 a.) Title or Position with the BHC	3 b.) Title or Position with Subsidiaries	3 c.) Title or Position with another company	4 a.) Percentage of voting shares in BHC	4 b.) Percentage of voting shares in subsidiaries	4 c.) Percentage of voting shares in another company (if 25% or more)
***	Lanny Brenner, Steve Capps and Lonnie K. Pilgrim are trustees of the following trusts: LKP 2003 GST Trust, GPO 2003 GST Trust, LKP 1999 Issue Trust, and GPO 1999 Issue Trust. Collectively, these trust own 1,564,468 shares (69 89%).						

PILGRIM BANCORPORATION
AND SUBSIDIARIES

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

December 31, 2020 and 2019

MOSSADAMS

Report of Independent Auditors

To the Board of Directors
Pilgrim Bancorporation

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pilgrim Bancorporation and its subsidiaries as of December 31, 2020 and 2019, and the consolidated 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

Dallas, Texas
March 5, 2021

Pilgrim Bancorporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and due from banks	$ 10,297,021	$ 8,132,062
Cash and cash equivalents	10,297,021	8,132,062
Interest-bearing deposits in other banks	17,954,619	9,046,031
Investment securities available-for-sale, at fair value	188,809,947	136,389,172
Investment in stock of TIB and Federal Home Loan Bank	3,243,145	3,205,845
Other investments	4,000	4,000
Loans, net of allowance for loan losses	340,587,442	345,780,776
Bank premises and equipment, net	19,119,863	20,460,945
Other real estate owned	1	141,888
Accrued interest receivable	2,434,993	2,519,136
Intangible assets	1,232,000	1,540,000
Goodwill	8,538,727	8,538,727
Bank owned life insurance	11,611,079	11,335,043
Other assets	757,152	728,270
Total assets	$ 604,589,989	$ 547,821,895
Liabilities		
Deposits		
Noninterest-bearing demand	$ 193,305,061	$ 152,505,520
Interest-bearing demand	65,763,620	62,714,339
Money market and savings	118,704,613	100,964,596
Time deposits $250,000 or greater	22,533,561	25,178,383
Other time	104,566,535	100,916,978
Total deposits	504,873,390	442,279,816
Notes payable	18,000,000	28,525,000
Junior subordinated debentures	3,093,000	3,093,000
Accrued interest payable	177,801	313,263
Other liabilities	1,809,760	1,506,262
Total liabilities	527,953,951	475,717,341
Commitments and contingencies, Note 9		
Stockholders' Equity		
Common stock - $1 par value, authorized 4,000,000 shares in 2020 and 2019; 2,237,967 shares issued and outstanding in 2020 and 2019, respectively	2,237,967	2,237,967
Additional paid-in capital	27,562,785	27,562,785
Retained earnings	44,566,346	42,808,473
Accumulated other comprehensive income (loss)	2,268,940	(504,671)
Total stockholders' equity	76,636,038	72,104,554
Total liabilities and stockholders' equity	$ 604,589,989	$ 547,821,895

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

Pilgrim Bancorporation and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2020 and 2019

	2020	2019
Interest income		
Interest and fees on loans	$ 19,365,983	$ 19,149,344
Interest on investment securities - taxable	2,251,974	3,136,226
Interest on investment securities - non taxable	211,566	31,613
Interest on other investments	109,818	373,555
	21,939,341	22,690,738
Interest expense		
Interest on deposits		
Interest-bearing demand	50,116	85,862
Money market and savings	364,000	1,145,384
Time deposits	1,990,288	2,398,569
Interest on federal funds purchased	304	759
Interest on notes payable and junior subordinated debentures	571,600	1,080,021
	2,976,308	4,710,595
Net interest income	18,963,033	17,980,143
Provision for loan losses	200,000	385,000
Net interest income after provision for loan losses	18,763,033	17,595,143
Non-interest income		
Service fees	544,812	711,297
Gain on sale of securities	285,006	111,570
Check card income	1,073,118	1,056,279
Other	702,291	773,339
	2,605,227	2,652,485
Non-interest expense		
Salaries and employee benefits	7,669,077	7,461,030
Occupancy expense	3,354,153	3,305,841
Data processing	904,820	853,122
Loss on sale and writedown of other real estate owned and expense	49,859	43,631
Other	3,252,478	3,392,773
	15,230,387	15,056,397
Net income	6,137,873	5,191,231
Other comprehensive income		
Reclassification adjustment for gains realized	(285,006)	(111,570)
Changes in net unrealized gains on securities available-for-sale	3,058,617	4,461,219
Total other comprehensive income	2,773,611	4,349,649
Comprehensive income	$ 8,911,484	$ 9,540,880

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at January 1, 2019	$ 2,237,967	$ 27,562,785	$ 41,667,242	$ (4,854,320)	$ 66,613,674
Comprehensive income					
Other comprehensive income	-	-	-	4,349,649	4,349,649
Net income	-	-	5,191,231	-	5,191,231
Shareholder distributions	-	-	(4,050,000)	-	(4,050,000)
Balance at December 31, 2019	$ 2,237,967	$ 27,562,785	$ 42,808,473	$ (504,671)	$ 72,104,554
Comprehensive income					
Other comprehensive income	-	-	-	2,773,611	2,773,611
Net income	-	-	6,137,873	-	6,137,873
Shareholder distributions	-	-	(4,380,000)	-	(4,380,000)
Balance at December 31, 2020	$ 2,237,967	$ 27,562,785	$ 44,566,346	$ 2,268,940	$ 76,636,038

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

	2020	2019
Cash flows from operating activities		
Net income	$ 6,137,873	$ 5,191,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,436,436	1,405,947
Amortization and accretion of securities	1,683,432	1,483,716
Amortization of intangible assets	357,613	363,696
Provision for loan losses	200,000	385,000
Loss on sale and writedowns of other real estate	41,367	23,000
Loss on sale of premises and equipment	-	12,000
Gain on available-for-sale securities	(285,006)	(111,570)
Stock dividend from FHLB	(37,300)	(89,300)
Change in:		
Accrued interest receivable	84,143	(38,051)
Other assets	(14,447)	(53,362)
Accrued interest payable	(135,462)	(14,344)
Other liabilities	303,498	293,059
Net cash provided by operating activities	9,772,147	8,851,022
Cash flows from investing activities		
Net change in interest bearing deposits in other banks	(8,908,588)	(6,278,660)
Purchase of available-for-sale investment securities	(363,562,937)	(205,957,774)
Proceeds from principal payments and maturities of available-for-sale investment securities	312,517,348	262,269,199
Net proceeds from sales of other real estate owned	100,520	49,065
Net change in loans	4,993,334	(21,033,448)
Purchase of premises and equipment	(138,682)	(1,786,420)
Purchase of bank owned life insurance	(276,036)	(295,595)
Purchase of other intangible assets	(20,721)	(31,711)
Net cash (used in) provided by investment activities	(55,295,762)	26,934,656

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

	2020	2019
Cash flows from financing activities		
Net change in demand and savings deposits	$ 61,588,839	$ 1,843,721
Net change in time deposits	1,004,735	(15,057,637)
Net payments from notes payable and FHLB advances	(10,525,000)	(18,525,000)
Distributions to shareholders	(4,380,000)	(4,050,000)
Net cash provided by (used in) financing activities	47,688,574	(35,788,916)
Net decrease in cash and cash equivalents	2,164,959	(3,238)
Cash and cash equivalents at beginning of year	8,132,062	8,135,300
Cash and cash equivalents at end of year	$ 10,297,021	$ 8,132,062
Supplemental disclosure of cash flow information -		
Cash paid during the year for interest	$ 3,111,770	$ 4,724,939
Other real estate acquired	$ 1	$ 125,953

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

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The accounting and reporting policies of Pilgrim Bancorporation (the Company) and Subsidiaries conform to U.S. generally accepted accounting principles and to general practices within the banking industry. The consolidated financial statements (financial statements) include the accounts of the Company, the Company's wholly-owned subsidiaries, Pilgrim Bank and PBTX Holding, Inc., collectively referred to as "the Bank". Intercompany accounts, transactions, and earnings have been eliminated in consolidation.

The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located primarily in North East and North West Texas and the surrounding areas. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the Texas Department of Banking and the Federal Deposit Insurance Corporation.

Effective January 8, 2015, the Bank purchased North Central Texas Bancshares, Inc. and Subsidiary, State National Bank of Texas. State National Bank of Texas operated nine community banks, predominately in the West Texas region.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 impaired loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank 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 Bank 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 reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Investment Securities

Debt securities are classified as held-to-maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are 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 classified as available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss).

Realized gains (losses) on securities available-for-sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, in other comprehensive income (loss). Gains and losses on sales of securities are determined on the specific-identification method.

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

According to ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, changes in the fair market value of available-for-sale equity securities are adjusted through current earnings rather than through other comprehensive income(loss). This was effective for years beginning after December 15, 2018. The Bank early adopted this standard as of January 1, 2018. Accordingly, the unrealized gain on shares of any equity securities previously recorded in accumulated other comprehensive income was not material to the Bank's operation.

Restricted stock is stock from the Federal Home Loan Bank of Dallas ("FHLB"), The Independent BankersBank ("TIB"), and others which are restricted as to their marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank's investment in these stocks are carried at cost. 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.

Loans

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

Loans are stated at unpaid principal balances, less the allowance for loan losses. Loan fee income and costs associated with originating loans have been recognized in the period in which the fees were received and the costs were incurred. U.S. generally accepted accounting principles require that loan fees net of related costs be deferred and recognized over the life of the loan. The Company's accounting for these fees and costs does not differ materially from the requirements of U.S. generally accepted accounting principles.

Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans considering 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 Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of 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 for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

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

From time to time, the Bank modifies its loan agreement with a borrower. A modified loan is considered a troubled debt restructuring when two conditions are met: (i) the borrower is experiencing financial difficulty and (ii) concessions are made by the Bank that would not otherwise be considered for a borrower with similar credit risk characteristics. Modifications to loan terms may include a lower interest rate, a reduction of principal, or a longer term to maturity. For all impaired loans, including the Bank’s troubled debt restructurings, the Bank performs a periodic, well-documented credit evaluation of the borrower’s financial condition and prospects for repayment to assess the likelihood that all principal and interest payments required under the terms of the agreement will be collected in full. When doubt exists about the ultimate collectability of principal and interest, the troubled debt restructuring remains on non-accrual status and payments received are applied to reduce principal to the extent necessary to eliminate such doubt. This determination of accrual status is judgmental and is based on facts and circumstances related to each troubled debt restructuring. Each of these loans is individually evaluated for impairment and a specific reserve is recorded based on probable losses, taking into consideration the related collateral, modified loan terms and cash flow.

On January 31, 2020, the World Health Organization (WHO) announced a health emergency stemming from a new strain of coronavirus that was spreading globally (COVID-19). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and significant negative impact on the global economy. To address these economic challenges, the United States government enacted several new laws, most notably the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which provided $2.2 trillion of economy-wide financial stimulus. The provisions of the CARES Act included an election to not apply the guidance on accounting for troubled debt restructurings to loan modifications, such as extensions or deferrals, related to COVID-19 made between March 1, 2020 and the earlier of (i) December 31, 2020 or (ii) 60 days after the end of the COVID-19 national emergency. The relief can only be applied to modifications for borrowers that were not more than 30 days past due as of December 31, 2019. The Company elected to adopt these provisions of the CARES Act.

Section 4013 of the CARES Act and Section 541 of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (the "Coronavirus Relief Act") passed in January 2021 provided optional, temporary relief from evaluating loans that may have been considered TDRs under GAAP. This relief applies to loan modifications executed between March 1, 2020 and the earlier of 60 days after the national emergency related to the Pandemic is terminated, or January 1, 2022. The Bank elected to apply these temporary accounting provisions to payment relief loans beginning in March 2020.

Premises and Equipment

Premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets ranging from three to forty years. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance of loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount which the carrying amount of a property exceeds its fair value. Costs of significant property improvements, if any, are capitalized whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. As of December 31, 2020, the value of other real estate owned was one dollar. This value represents the value of four natural gas leases, which is the lesser of the impaired value or market value.

Business Combinations, Goodwill and Other Intangible Assets

The Bank has $8,538,727 of goodwill on the books as a result of the purchase of Community Bank in November 2007. The Company uses Financial Accounting Standards Board Accounting Standard codification FASB ASC 350-20-35, "Goodwill and Other Intangible Assets", to account for its goodwill. Goodwill is tested for impairment annually, or more frequently if circumstances warrant.

Core deposit intangibles totaling $4,278,000 were recorded as of the date of the business combination. The core deposit intangibles are being amortized over ten years which approximates the estimated attrition period of the deposits. As of December 31, 2020, $1,232,000 in core deposit intangibles were included in other assets, net of accumulated amortization of $3,046,000. As of December 31, 2019, $1,540,000 in core deposit intangibles were included in other assets, net of accumulated amortization of $2,738,000. Amortization expense of $308,000 and $308,000 was recorded in the years ended December 31, 2020 and 2019, respectively. The following represents the remaining amortization to be recorded by period as of December 31:

2021	$ 308,000
2022	308,000
2023	308,000
2024	308,000
	$ 1,232,000

The Company accounts for all business combinations under the purchase method of accounting. Tangible and intangible assets and liabilities of the acquired entity are recorded at fair value. Intangible assets with finite useful lives represent the future benefit associated with the acquisition of the core deposits and are amortized over ten years, utilizing a method that approximates the expected attrition of the deposits. Goodwill with an indefinite life is not amortized, but rather tested annually for impairment. There was no impairment recorded for the years ended December 31, 2020 and 2019.

Income Taxes

Effective January 1, 2012, the Company elected S corporation status. As of December 31, 2011, all deferred tax asset and liability balances were eliminated. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Company will not incur Federal income tax obligations, and the financial statements will not include a provision for Federal income taxes.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Statements of Cash Flows

The Bank considers all cash and amounts due from depository institutions to be cash equivalents for purposes of the statements of cash flows. The Bank maintains balances at financial institutions in excess of federally insured limits.

Bank Owned Life Insurance

The Bank purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified as noninterest income. These insurance policies can be surrendered subject to certain surrender penalties applied by the insurance carriers, as well as potential income taxes to be paid.

Advertising Costs

Advertising costs are expensed as incurred.

Accumulated Other Comprehensive Income (Loss)

Unrealized net gains (losses) on the Company's available-for-sale securities totaling $2,268,940 and $(504,671) at December 31, 2020 and 2019, respectively, are included in accumulated other comprehensive income (loss).

Revenue Recognition

Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" implements a comprehensive new revenue recognition standard that supersedes substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity applies the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2015-04 "Revenue from Contracts with Customers – Deferral of the Effective Date" deferred the effective date of ASU 2014-09 by one year and as a result, the new standard became effective for the year ended December 31, 2019. The Bank's revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income.

Core service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts) and monthly service fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Transaction based fee income on deposit accounts consists of variable revenue streams associated with activities which a deposit account holder may initiate on a transaction by transaction basis. The majority of transaction-based fee income arises from interchange revenue received when deposit customers use a debit card for a point of sale transaction over a third-party card payment network. Interchange revenue is recorded net of related interchange expenses in the month in which the transaction occurs.

Merchant services income is realized through a third-party service provider who is contracted by the Bank under a referral arrangement. Such fees represent fees charged to merchants to process their debit card transactions, in addition to account management fees. The third-party service provider also issues credit cards as private label in the Company's name in exchange for a referral fee. Fees are earned and recorded in the same period as the referral occurs and the card is issued.

Other transaction-based service charges on deposit accounts include revenue from processing wire transfers, issuing cashier's checks, processing check orders, and renting safe deposit boxes. The Company's performance obligation related to these service charges is largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or charged to the customers' account in the period the service is provided. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

The standard did not have a significant impact on the Company's financial statements and no adjustment to opening retained earnings was recorded.

Classification of Prior Year Amounts

Certain prior period amounts have been reclassified to conform to current year presentation. There was no change in net income or stockholders' equity as a result of these reclassifications.

Subsequent Events

Management has evaluated subsequent events through March 5, 2021, the date which the financial statements were available to be issued.

Note 2 - Investment Securities

The amortized cost of securities and their approximate fair values are as follows at December 31, 2020 and 2019 are as follows:

Securities Available-for-Sale
December 31, 2020

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Mortgage-backed securities	$ 163,028,640	$ 2,002,348	$ (509,393)	$ 164,521,595
Municipal bonds	15,865,579	473,331	(14,251)	16,324,659
Taxable municipal bonds	360,000	63,532	-	423,532
SBA loan pools	7,286,788	253,373	-	7,540,161
Total	$ 186,541,007	$ 2,792,584	$ (523,644)	$ 188,809,947

Securities Available-for-Sale
December 31, 2019

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Mortgage-backed securities	$ 125,400,178	$ 527,198	$ (980,059)	$ 124,947,317
Municipal bonds	4,481,731	2,847	(96,468)	4,388,110
Taxable municipal bonds	395,000	58,690	-	453,690
SBA loan pools	6,552,352	37,427	(54,306)	6,535,473
Corporate stock	14,639	49,943	-	64,582
Total	$ 136,843,900	$ 676,105	$ (1,130,833)	$ 136,389,172

The amortized cost and estimated fair value of securities, by contractual maturity, at December 31, 2020 and 2019 are as follows:

Securities Available-for-Sale	December 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:				
One year or less	$ 12,933,662	$ 12,915,608	$ 30,474,713	$ 30,413,604
After one year to five years	2,417,115	2,487,042	71,593,796	71,320,415
After five years	171,190,230	173,407,297	34,775,391	34,655,153
Total	$ 186,541,007	$ 188,809,947	$ 136,843,900	$ 136,389,172

The maturities of the mortgage-backed securities may differ from contractual maturities because borrowers have the right to prepay obligations without penalties.

Securities with carrying values of $54,597,835 and $57,488,816 at December 31, 2020 and 2019, respectively, were pledged to secure a line of credit and other public funds as required or permitted by law.

Gross realized gains (losses) on available-for-sale securities amounted to $2,268,940 and $(504,671) at December 31, 2020 and 2019, respectively, and were recognized as an increase in 2020, and a decrease in 2019 to stockholders' equity.

The following tables disclose, as of December 31, 2020 and 2019, the Company's investment securities that have been in a continuous unrealized-loss position for less than 12 months and for 12 or more months:

December 31, 2020	Less than 12 months		12 months or longer	
	Estimated Market Value	Gross Unrealized Losses	Estimated Market Value	Gross Unrealized Losses
Mortgage-backed securities	$ 43,902,070	$ (439,677)	$ 4,338,427	$ (69,716)
Municipal Bonds	3,842,529	(14,251)	-	-
Total	$ 47,744,599	$ (453,928)	$ 4,338,427	$ (69,716)

December 31, 2019	Less than 12 months		12 months or longer	
	Estimated Market Value	Gross Unrealized Losses	Estimated Market Value	Gross Unrealized Losses
Mortgage-backed securities	$ 7,508,444	$ (53,666)	$ 74,598,249	$ (926,393)
Municipal bonds	4,270,263	(96,469)	-	-
SBA loan pools	4,383,328	(54,305)	-	-
Total	$ 16,162,035	$ (204,440)	$ 74,598,249	$ (926,393)

There were 34 investment securities with unrealized losses of $52,083,026 and 77 investment securities with unrealized losses of $90,790,284 at December 31, 2020 and 2019, respectively. The Bank anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment.

Mortgage-Backed Securities and SBA Loan Pools

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

Other-than-Temporary Impairment

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

Note 3 - Loans and Allowance for Loan Losses

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

	2020	2019
Commercial loans	$ 33,818,565	$ 27,929,074
Agriculture loans	7,588,773	9,444,828
Local government loans	7,598,843	9,069,308
Lease finance receivable	-	2,497,478
Consumer loans	4,490,591	5,367,048
Real estate loans	289,844,316	294,022,027
Overdrafts	9,366	14,615
Gross loans	343,350,454	348,344,378
Allowance for loan losses	(2,763,012)	(2,563,602)
Net loans	$ 340,587,442	$ 345,780,776

An analysis of the allowance account as of December 31, 2020 and 2019 is presented as follows:

Allowance for Loan and Lease Losses (ALLL) ac ivity:

	December 31, 2020						
	Commercial Loans	Agriculture Loans	Local Govt Loans	Lease Finance Receivable	Consumer Loans	Real Estate Loans	Total Allowance
ALLL, January 1	$ 200,508	$ 73,414	$ 65,254	$ 17,969	$ 40,917	$ 2,165,540	$ 2,563,602
Charge-offs	-	-	-	-	(13,247)	(1,356)	(14,603)
Recoveries	5,400	-	-	-	8,613	-	14,013
Provision for loan and lease losses	19,559	(17,860)	(8,681)	(17,969)	9	224,942	200,000
ALLL, December 31	$ 225,467	$ 55,554	$ 56,573	$ -	$ 36,292	$ 2,389,126	$ 2,763,012

	Commercial Loans	Agriculture Loans	Local Govt Loans	Lease Finance Receivable	Consumer Loans	Real Estate Loans	Total Allowance
Impaired loans and troubled debt restructurings							
ALLL	$ 25,000	$ -	$ -	$ -	$ -	$ 82,000	$ 107,000
Carrying value	30,587	-	-	-	-	6,443,102	6,473,689
Allowance as a percentage of outstanding loans	81.73%	0.00%	0.00%	0.00%	0 00%	1.27%	1.65%
Collectively evaluated for impairment							
ALLL	$ 200,467	$ 55,554	$ 56,573	$ -	$ 36,292	$ 2,307,126	$ 2,656,012
Carrying value	33,787,978	7,588,773	7,598,843	-	4,499,957	283,401,214	336,876,765
Allowance as a percentage of outstanding loans	0.59%	0.73%	0.74%	0.00%	0.81%	0.81%	0.79%
Total							
ALLL	$ 225,467	$ 55,554	$ 56,573	$ -	$ 36,292	$ 2,389,126	$ 2,763,012
Carrying value	33,818,565	7,588,773	7,598,843	-	4,499,957	289,844,316	343,350,454
Allowance as a percentage of outstanding loans	0.67%	0.73%	0.74%	0.00%	0.81%	0.82%	0 80%

Allowance for Loan and Lease Losses (ALLL) activity:

	December 31, 2019						
	Commercial Loans	Agriculture Loans	Local Govt Loans	Lease Finance Receivable	Consumer Loans	Real Estate Loans	Total Allowance
ALLL, January 1	$ 191,952	$ 93,250	$ 84,442	$ 21,332	$ 58,497	$ 2,136,397	$ 2,585,870
Charge-offs	-	-	-	-	(22,511)	(403,751)	(426,262)
Recoveries	5,400	-	-	-	13,574	20	18,994
Provision for loan and lease losses	3,156	(19,836)	(19,188)	(3,363)	(8,643)	432,874	385,000
ALLL, December 31	$ 200,508	$ 73,414	$ 65,254	$ 17,969	$ 40,917	$ 2,165,540	$ 2,563,602

	Commercial Loans	Agriculture Loans	Local Govt Loans	Lease Finance Receivable	Consumer Loans	Real Estate Loans	Total Allowance
Impaired loans and troubled debt restructurings							
ALLL	$ 20,000	$ -	$ -	$ -	$ -	$ 7,000	$ 27,000
Carrying value	41,378	-	-	-	-	99,119	140,497
Allowance as a percentage of outstanding loans	48.33%	0.00%	0.00%	0.00%	0.00%	7.06%	19.22%
Collectively evaluated for impairment							
ALLL	$ 180,508	$ 73,414	$ 65,254	$ 17,969	$ 40,917	$ 2,158,540	$ 2,536,602
Carrying value	27,887,696	9,444,828	9,069,308	2,497,478	5,381,663	293,922,908	348,203,881
Allowance as a percentage of outstanding loans	0.65%	0.78%	0.72%	0.72%	0.76%	0.73%	0.73%
Total							
ALLL	$ 200,508	$ 73,414	$ 65,254	$ 17,969	$ 40,917	$ 2,165,540	$ 2,563,602
Carrying value	27,929,074	9,444,828	9,069,308	2,497,478	5,381,663	294,022,027	348,344,378
Allowance as a percentage of outstanding loans	0.72%	0.78%	0.72%	0.72%	0.76%	0.74%	0.74%

The following summarizes impaired loans by class:

	December 31, 2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no recorded allowance					
Commercial loans	$ -	$ -	$ -	$ -	$ -
Agriculture loans	-	-	-	-	-
Local govt loans	-	-	-	-	-
Lease finance receivables	-	-	-	-	-
Consumer loans	-	-	-	-	-
Real estate loans	5,693,581	5,693,581	-	2,846,791	-
With an allowance recorded					
Commercial loans	30,587	30,587	25,000	35,983	-
Agriculture loans	-	-	-	-	-
Local govt loans	-	-	-	-	-
Lease finance receivables	-	-	-	-	-
Consumer loans	-	-	-	-	-
Real estate loans	749,521	749,521	82,000	424,320	-
Total					
Commercial loans	30,587	30,587	25,000	35,983	-
Agriculture loans	-	-	-	-	-
Local govt loans	-	-	-	-	-
Lease finance receivables	-	-	-	-	-
Consumer loans	-	-	-	-	-
Real estate loans	6,443,102	6,443,102	82,000	3,271,111	-

	December 31, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no recorded allowance					
Commercial loans	$ -	$ -	$ -	$ -	$ -
Agriculture loans	-	-	-	-	-
Local govt loans	-	-	-	-	-
Lease finance receivables	-	-	-	-	-
Consumer loans	-	-	-	-	-
Real estate loans	-	-	-	416,638	-
With an allowance recorded					
Commercial loans	41,378	41,378	20,000	54,372	-
Agriculture loans	-	-	-	-	-
Local govt loans	-	-	-	-	-
Lease finance receivables	-	-	-	-	-
Consumer loans	-	-	-	-	-
Real estate loans	99,119	99,119	7,000	49,560	-
Total					
Commercial loans	41,378	41,378	20,000	54,372	-
Agriculture loans	-	-	-	-	-
Local govt loans	-	-	-	-	-
Lease finance receivables	-	-	-	-	-
Consumer loans	-	-	-	-	-
Real estate loans	99,119	99,119	7,000	466,198	-

The Company recognized interest income on impaired loans prior to being recognized as impaired of approximately $4,444 and $7,526 during the years ended December 31, 2020 and 2019, respectively.

From a credit risk standpoint, the Company rates its loans in one of four categories: (i) pass, (ii) special mention, (iii) substandard or (iv) doubtful. Loans rated as loss are charged-off.

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

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

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

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

Management recognizes that there are specific factors and events, both internal and external, that may impact the estimated adjustment to loss factors assigned to each segment. Current economic conditions, including the current COVID-19 pandemic, impact the entire loan portfolio. The pandemic is affecting major economic and financial markets, and virtually all industries and governments are facing challenges associated with the economic conditions resulting from efforts to address it. For example, many entities in the travel, hospitality, leisure, and retail industries have seen sharp declines in revenues due to regulatory and organizational mandates and voluntary changes in consumer behavior.

As the spread of the pandemic increases, entities are experiencing conditions often associated with a general economic downturn, including, but not limited to, financial market volatility and erosion of market value, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand and supply constraints, layoffs and furloughs, and other restructuring activities. The continuation of these circumstances could have a prolonged negative impact on an entity's financial condition and results.

Beginning in April of 2020, the Bank began offering deferral and modification of principle and/or interest payments, for varying periods but typically no more than 90 days, to selected borrowers on a case-by-case basis. At December 31, 2020, the Company had approximately 4 loans totaling $313,000 in outstanding loans subject to deferral and modification agreements, representing 0.09% of outstanding loans held-for-investment, excluding CARES Act Paycheck Protection Program loans. These modifications generally involve principal and/or interest payment deferrals for up to six months to borrowers who were current prior to any relief. These modifications met the criteria of the CARES Act and the joint regulatory interagency revised statement issued in April 2020, and therefore, the Company does not account for such loans modifications as TDRs.

Pursuant to the CARES Act passed in March 2020, the Bank funded 271 loans to eligible small businesses and non-profit organizations who participated in the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration ("SBA"). PPP loans have terms of two to five years and earn interest at 1%. In addition, the Bank received a fee of 1%-5% from the SBA depending on the loan amount, which was netted with loan origination costs and amortized into interest income under the effective yield method over the contractual life of the loan. The recognition of fees and costs is accelerated when the loan is forgiven by the SBA and/or paid off prior to maturity. PPP loans are fully guaranteed by the SBA and are expected to be forgiven by the SBA if they meet the requirements of the program. The balance of PPP loans at December 31, 2020 was $8 million.

The following summarizes the Company's internal ratings of its loans held-for-investment by class of financing receivables and portfolio segments, which classes are the same:

	December 31, 2020					
	Commercial Loans	Agriculture Loans	Local Govt Loans	Consumer Loans	Real Estate Loans	Total
Pass	$ 33,787,978	$ 7,588,773	$ 7,598,843	$ 4,499,957	$ 283,401,214	$ 336,876,765
Special mention	30,587	-	-	-	6,256,162	6,286,749
Substandard	-	-	-	-	186,940	186,940
Doubtful	-	-	-	-	-	-
Total	$ 33,818,565	$ 7,588,773	$ 7,598,843	$ 4,499,957	$ 289,844,316	$ 343,350,454

	December 31, 2019						
	Commercial Loans	Agriculture Loans	Local Govt Loans	Lease Finance Receivable	Consumer Loans	Real Estate Loans	Total
Pass	$ 27,688,751	$ 8,641,504	$ 9,069,308	$ 2,497,478	$ 5,380,718	$ 289,717,614	$ 342,995,373
Special mention	179,050	803,324	-	-	-	2,714,726	3,697,100
Substandard	61,273	-	-	-	945	1,589,687	1,651,905
Doubtful	-	-	-	-	-	-	-
Total	$ 27,929,074	$ 9,444,828	$ 9,069,308	$ 2,497,478	$ 5,381,663	$ 294,022,027	$ 348,344,378

The following summarizes nonaccrual loans and loans accruing but past due 90 days or more by class:

	Nonaccrual Loans	Accruing Past Due 90 Days or More
	December 31, 2020	December 31, 2020
Commercial loans	$ -	$ -
Agriculture loans	-	-
Local govt loans	-	-
Lease finance receivable	-	-
Consumer loans	-	-
Real estate loans	186,940	-
Total	$ 186,940	$ -

	Nonaccrual Loans	Accruing Past Due 90 Days or More
	December 31, 2019	December 31, 2019
Commercial loans	$ -	$ -
Agriculture loans	-	-
Local govt loans	-	-
Lease finance receivable	-	-
Consumer loans	-	-
Real estate loans	99,119	-
Total	$ 99,119	$ -

The following represents the aging of loans by class:

	December 31, 2020			
	90 Days or More Past Due	30-89 Days Past Due	Total Current or Less Than 30 Days Past Due	Total Outstandings
Commercial loans	$ -	$ 30,587	$ 33,787,978	$ 33,818,565
Agriculture loans	-	-	7,588,773	7,588,773
Local govt loans	-	-	7,598,843	7,598,843
Lease finance receivables	-	-	-	-
Consumer loans	-	16,611	4,483,346	4,499,957
Real estate loans	186,940	795,333	288,862,043	289,844,316
Total loans	$ 186,940	$ 842,531	$ 342,320,983	$ 343,350,454
Percentage of outstandings	0.05%	0.25%	99.70%	100.00%

	December 31, 2019			
	90 Days or More Past Due	30-89 Days Past Due	Total Current or Less Than 30 Days Past Due	Total Outstandings
Commercial loans	$ -	$ 89,652	$ 27,839,422	$ 27,929,074
Agriculture loans	-	-	9,444,828	9,444,828
Local govt loans	-	-	9,069,308	9,069,308
Lease finance receivables	-	-	2,497,478	2,497,478
Consumer loans	-	-	5,381,663	5,381,663
Real estate loans	99,119	1,324,048	292,598,860	294,022,027
Total loans	$ 99,119	$ 1,413,700	$ 346,831,559	$ 348,344,378
Percentage of outstandings	0.03%	0.41%	99.57%	100.00%

The Company's loans that were modified in the years ended December 31, 2020 and 2019 and considered troubled debt restructurings are as follows:

December 31, 2020	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial loans	1	$ 135,000	$ 30,587
Agriculture loans	-	-	-
Local govt loans	-	-	-
Lease finance receivables	-	-	-
Consumer loans	-	-	-
Real estate loans	4	5,948,136	5,643,835
Total loans	5	$ 6,083,136	$ 5,674,422

December 31, 2019	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial loans	1	$ 135,000	$ 41,378
Agriculture loans	-	-	-
Local govt loans	-	-	-
Lease finance receivables	-	-	-
Consumer loans	-	-	-
Real estate loans	-	-	-
Total loans	1	$ 135,000	$ 41,378

There were no troubled debt restructurings that subsequently defaulted, or were charged off, in the year ended December 31, 2020.

The balances below provide information as to how the loans were modified as troubled debt restructured loans during the years ended December 31, 2020 and 2019:

December 31, 2020	Adjusted Interest Rate	Extended Maturity	Combined Rate and Maturity
Commercial	$ -	$ 135,000	$ -
Agricultural	-	-	-
Real estate	-	-	-
Consumer	-	1,367,902	4,580,234
Total	$ -	$ 1,502,902	$ 4,580,234

December 31, 2019	Adjusted Interest Rate	Extended Maturity	Combined Rate and Maturity
Commercial	$ -	$ 135,000	$ -
Agricultural	-	-	-
Real estate	-	-	-
Consumer	-	-	-
Total	$ -	$ 135,000	$ -

Loan participations sold and serviced by the Bank totaled $12,881,302 and $16,988,460 at December 31, 2020 and 2019, respectively.

Note 4 - Bank Premises and Equipment

A summary of premises and equipment at December 31, 2020 and 2019 follows:

	2020	2019
Land	$ 3,512,932	$ 3,538,613
Buildings and improvements	21,547,411	21,568,904
Furniture, fixtures and equipment	6,827,713	6,770,550
Automobiles	263,910	263,910
Right-of-use asset	185,572	168,247
Gross bank premises and equipment	32,337,538	32,310,224
Less: accumulated depreciation	(13,217,675)	(11,849,279)
Total	$ 19,119,863	$ 20,460,945

Total depreciation expense for premises and equipment for 2020 and 2019 was approximately $1,436,436 and $1,405,947, respectively.

Note 5 - Deposits

Deposits consisted of the following as of December 31:

	2020	2019
Noninterest bearing	$ 193,305,061	$ 152,505,520
Interest-bearing demand	65,763,620	62,714,339
Money market and savings	118,704,613	100,964,596
Time deposits $250,000 or greater	22,533,561	25,178,383
Other time	104,566,535	100,916,978
	$ 504,873,390	$ 442,279,816

Certificates mature in the years following as of December 31, 2020 and 2019:

	2020	2019
One year or less	$ 77,928,756	$ 76,603,687
One year to three years	44,791,874	42,933,656
Over three years	4,379,466	6,558,018
	$ 127,100,096	$ 126,095,361

Note 6 - Notes Payable

The Bank has several notes payable to the FHLB. The loans are payable in either monthly installments or with a lump sum amount at maturity and have fixed interest rates. The Bank is required to maintain a minimum amount of FHLB capital stock. The following is a summary of the notes payable as of December 31, 2020 and 2019:

Original Amount of Note	Maturity Date	Interest Rate	Outstanding Balance at December 31, 2020
$ 9,000,000	March 9, 2021	0.446	$ 9,000,000
3,500,000	March 26, 2021	2.791	3,500,000
2,000,000	March 24, 2022	1.214	2,000,000
1,500,000	December 30, 2022	1.882	1,500,000
2,000,000	March 27, 2023	1.014	2,000,000
$ 18,000,000			$ 18,000,000

Original Amount of Note	Maturity Date	Interest Rate	Outstanding Balance at December 31, 2019
$ 1,000,000	March 17, 2020	1.925	$ 1,000,000
2,000,000	March 23, 2020	2.586	2,000,000
1,000,000	March 30, 2020	1.844	1,000,000
5,000,000	March 30, 2020	2.572	5,000,000
4,000,000	April 30, 2020	2.831	4,000,000
1,000,000	June 26, 2020	2.829	1,000,000
3,025,000	June 29, 2020	1.816	3,025,000
1,000,000	September 21, 2020	2.126	1,000,000
1,000,000	September 28, 2020	3.018	1,000,000
2,000,000	September 28, 2020	3.018	2,000,000
2,500,000	December 21, 2020	2.915	2,500,000
3,500,000	March 26,2021	2.791	3,500,000
1,500,000	December 30, 2022	1.882	1,500,000
$ 28,525,000			$ 28,525,000

Principal maturity by year of all the notes as of December 31, 2020 are as follows:

2021	$	12,500,000
2022		3,500,000
2023		2,000,000
	$	18,000,000

Note 7 - Related Party Transactions

In the ordinary course of business, the Bank has and expects to continue to have transactions, including borrowings, with its employees, officers, directors, shareholders, and their affiliates. In the opinion of management, such transactions are on the same terms as comparable transactions with unaffiliated persons.

Loans to related parties totaled $8,738,540 and $8,516,168 at December 31, 2020 and 2019, respectively. During 2020 and 2019, new loans made to such related parties amounted to $3,607,701 and $1,430,442, respectively, and payments amounted to $3,385,328 and $1,547,345, respectively.

The Bank held related party deposits of approximately $19,454,467 and $15,648,959 at December 31, 2020 and 2019, respectively.

Note 8 - Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amount of those instruments reflects the extent of involvement the Bank has classes of financial instruments.

The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the statements of financial condition.

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

	2020	2019
Commitments to extend credit on unfunded loans	$ 37,821,583	$ 22,786,809
Standby letters of credit and financial gurarantees written	706,140	737,800

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

Standby letters of credit and financial guarantees written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The Bank obtained a line-of-credit with the FHLB in the amount of $145,729,728 and $150,415,535 at December 31, 2020 and 2019, respectively. The agreement allows the Bank to draw secured advances based upon 75% of one to four single family loans, 75% of multifamily loans, 60% of small business loans and 40% of small farms loans. As part of the agreement, the Bank is required to own stock of the FHLB. The Bank held $3,141,300 and $3,104,000 of stock in 2020 and 2019, respectively. The Bank also has an unsecured line-of-credit with TIB in the amount of $17,500,000 and $17,500,000 in 2020 and 2019, respectively.

Note 9 - Commitments and Contingencies

The Bank is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is 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 Bank.

The Bank leases space under an operating lease. The building lease has a term of five years beginning March 2009, with two additional five year renewals. The Bank has lease property under a long term operating lease for a sign. The Bank recorded building lease expense of $56,823 and $55,664 during 2020 and 2019, respectively.

As discussed in Note 1, on March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and significant negative impact on the global economy. The full impact of the COVID-19 pandemic continues to evolve as of the date of this report.

Note 10 - Lease Assets and Liabilities

Lease payments over the expected term are discounted using the Bank's incremental borrowing rate for borrowings of similar terms. Generally, the Bank cannot be reasonably certain about whether or not it will renew a lease until such time as the lease is within the last two years of the existing lease term. When the Bank is reasonably certain that a renewal option will be exercised, it measures/re-measures the right-of-use asset and related lease liability using the lease payments specified for the renewal period or, if such amounts are unspecified, the Bank generally assumes an increase (evaluated on a case-by-case basis in light of prevailing market conditions) in the lease payment over the final period of the existing lease term.

There were no sale and leaseback transactions, leveraged leases or lease transactions with related parties during 2020.

At December 31, 2020, the Bank leased one branch location and a long term lease on property for a sign. On the December 31, 2020 balance sheet, the right-of-use asset is classified within premises and equipment and the lease liability is included in other liabilities. All leases were classified as operating leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the lease term.

Operating lease costs classified as occupancy were $56,823 ended December 31, 2020. The Bank's short-term lease costs were not material for 2020.

Certain leases include options to renew, with renewal terms that can extend the lease term from one to five years. Lease assets and liabilities include related options that are reasonably certain of being exercised. The depreciable life of leased assets is limited by the expected lease term.

Supplemental lease information at or for 2020 is as follows:

Balance Sheet:		
Operating lease asset classified as premises and equipment	$	185,572
Operating lease liability classified as other liabilities		189,515
Income Statement:		
Operating lease cost classified as occupancy and equipment expense		56,823
Weighted average lease term, in years		10
Weighted average discount rate		5.50%

The following is a schedule as of December 31, 2020 of future minimum lease payments under the lease:

Years ending December 31,	
2021	$ 52,099
2022	52,222
2023	52,349
2024	4,480
Thereafter	84,814
	245,964
Discount on cash flows	(56,449)
Total lease liability	$ 189,515

Note 11 - 401(k) Profit Sharing Plan

The Bank has a 401(k) profit sharing plan. Eligible employees are employees that have completed three months of service and that have attained the age of 21. Eligible employees covered by the plan may elect a dollar amount, not to exceed limits set by law to contribute through salary deferrals. Contributions by the Bank are discretionary and are 100% vested after three years. The charge to expense in connection with the plan for 2020 and 2019 was $233,000 and $247,000, respectively.

Note 12 - Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators, that if undertaken, could have a direct material effect on the Bank and the financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Banks 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 of: common equity Tier 1 capital, total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to average total assets (as defined). Management believes, as of December 31, 2020 and 2019, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2020 and 2019, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized; the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31 2020						
Common Equity Tier 1 capital to risk weighted assets	$ 66,663	17.1%	$ 17,591	4.5%	$ 25,409	6.5%
Total capital to risk weighted assets	69,426	17.8%	31,273	8.0%	39,091	10.0%
Tier 1 capital to risk weighted assets	66,663	17.1%	23,455	6.0%	31,273	8.0%
Tier 1 capital to average assets	66,663	11.2%	15,637	4.0%	19,456	5.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Common Equity Tier 1 capital to risk weighted assets	$ 64,991	16.9%	$ 17,304	4.5%	$ 24,995	6.5%
Total capital to risk weighted assets	67,555	17.6%	30,763	8.0%	38,454	10.0%
Tier 1 capital to risk weighted assets	64,991	16.9%	23,072	6.0%	30,763	8.0%
Tier 1 capital to average assets	64,991	11.9%	21,760	4.0%	27,199	5.0%

Effective January 1, 2015 and phasing in through 2019, the Bank was required to adhere to new capital requirements under Basel III. Basel III requires higher minimum capital requirements, redefine Tier 1 capital, require a capital conservation buffer, increase risk weights for certain loans and disallow certain instruments into the Tier 1 capital calculation.

In April 2020, we began originating loans to qualified small businesses under the Payroll Protection Program administered by the SBA. Federal bank regulatory agencies have issued an interim final rule that permits banks to neutralize the regulatory capital effects of participating in the Paycheck Protection Program Lending Facility (the "PPP Facility") and clarify that PPP loans have a zero percent risk weight under applicable risk-based capital rules. Specifically, a bank may exclude all PPP loans pledged as collateral to the PPP Facility from its average total consolidated assets for the purposes of calculating its leverage ratio, while PPP loans that are not pledged as collateral to the PPP Facility will be included. The PPP loans of $8 million we originated are included in the calculation of our leverage ratio as of December 30, 2020 as we did not utilize the PPP Facility for funding purposes.

Note 13 - Junior Subordinated Debentures

The Company has a liability for Trust Preferred securities of City Bancorp Statutory Trust I, a trust formed under the laws of the State of Delaware (the Trust). The Trust issued $3,093,000 of 6.30% fixed rate for the first five years and a variable rate at the 3-month Libor plus 2.00% thereafter. Libor at December 31, 2020 was 0.250389%. The Trust invested the proceeds thereof in Junior Subordinated deferrable Interest Debentures (the Junior Subordinated Debentures) issued by the Company with the same interest rates as the Trust Preferred Securities. The Junior Subordinated Debentures will mature on June 15, 2035, which date may be shortened to, at the Company's option, to a date not earlier than June 15, 2010 if certain conditions are met, including the Company having received prior approval of the Federal Reserve and any other required approvals.

Note 14 - Fair Value Measurements

FASB ASC 825, Financial Instruments, permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Company commitment. Subsequent changes must be recorded in earnings.

FASB ASC 820, Fair Value Measurement, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

Level 1 - Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy. As required by this guidance, the Company does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid equities, state, municipal and provincial obligations, and certain physical commodities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, using the present value of expected cash flows, the loan's observable market price or the fair value of the collateral (less cost to sell) if the loans are collateral dependent. Market value is measured based on the value of the collateral securing these loans and is classified at a Level 3 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Company. The value of business equipment, inventory and accounts receivable collateral is based on the net book value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Discounts applied to appraisals have been in the range of 0% to 50%. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified above.

Foreclosed properties are adjusted to fair value upon transfer of the loans to foreclosed properties. Subsequently, foreclosed properties are carried at the lower of carrying value or fair value. The estimated fair value for foreclosed properties included in Level 3 is determined by independent market-based appraisals and other available market information. Discounts applied to appraisals have predominantly been in the range of 0% to 50%; however, in certain cases the discounts have ranged up to 75%, which include estimated costs to sell or other reductions based on market expectations or an executed sales contract. If fair value of the collateral deteriorates subsequent to initial recognition, the Company records the foreclosed properties as a nonrecurring Level 3 adjustment. Valuation techniques are consistent with those techniques applied in prior periods.

The following tables set forth the Company's assets and liabilities that were accounted for or disclosed at fair value on a recurring basis as of December 31, 2020 and 2019:

December 31, 2020		Fair Value Measurements at Reporting Data Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Mortgage-backed securities	$ 164,521,595	$ -	$ 164,521,595	$ -
Municipal bonds	16,324,659	-	16,324,659	-
Taxable municipal bonds	423,532	-	423,532	-
SBA loan pools	7,540,161	-	7,540,161	-
Total	$ 188,809,947	$ -	$ 188,809,947	$ -

December 31, 2019		Fair Value Measurements at Reporting Data Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Mortgage-backed securities	$ 124,947,317	$ -	$ 124,947,317	$ -
Municipal bonds	4,388,110	-	4,388,110	-
Taxable municipal bonds	453,690	-	453,690	-
SBA loan pools	6,535,473	-	6,535,473	-
Corporate stock	64,582	-	-	64,582
Total	$ 136,389,172	$ -	$ 136,324,590	$ 64,582

The following tables set forth the Company's financial assets and liabilities that were accounted for or disclosed at fair value on a nonrecurring basis as of December 31, 2020 and 2019:

December 31, 2020		Fair Value Measurements at Reporting Data Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans				
Real estate loans	$ 6,069,252	$ -	$ -	$ 6,069,252
Commercial loans	30,587	-	-	30,587
Total impaired loans	$ 6,099,839	$ -	$ -	$ 6,099,839
Foreclosed properties				
Real estate loans	$ 1	$ -	$ -	$ 1
Total foreclosed properties	$ 1	$ -	$ -	$ 1

December 31, 2019		Fair Value Measurements at Reporting Data Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans				
Real estate loans	$ 99,119	$ -	$ -	$ 99,119
Commercial loans	41,378	-	-	41,378
Total impaired loans	$ 140,497	$ -	$ -	$ 140,497
Foreclosed properties				
Real estate loans	$ 141,888	$ -	$ -	$ 141,888
Total foreclosed properties	$ 141,888	$ -	$ -	$ 141,888

Note 15 - Concentrations of Credit

Most of the Bank's business activity is with customers located in the North East and North West Texas area. The Bank also maintains deposits with other financial institutions in amounts that exceed FDIC insurance coverage. The Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.