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, Joe Bob Huddleston
Name of the Holding Company Director and Official

Director/President/CEO
Title of the Holding Company Director and Official

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

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

Joe Huddleston
Signature of Holding Company Director and Official

07/29/2021
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID
C.I.

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

December 31, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

F & M Bancshares, Inc.
Legal Title of Holding Company

PO Box 230
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
De Leon	TX	76444

240 South Texas St, De Leon TX 76444
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Edward O. Holt	Vice President

254-893-2031
Area Code / Phone Number / Extension

254-893-2939
Area Code / FAX Number

edwardh@fmbank-tx.com
E-mail Address

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

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

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

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

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

Bank
Est. 1905

F & M Bancshares, Inc.
Shareholders Meeting
March 16, 2021
4:00 P.M.

F & M Bancshares, Inc.

Annual Shareholders
Meeting
March 16, 2021

Agenda

1. **Call to Order**

2. **Shares Represented**

3. **Elect Chairman and Secretary**

4. **2020 Minutes**

5. **Election of Directors.** The individuals serving in the current nine positions are Scott D. Allen, C. M. Caraway III, W. H. Smith, Jr., Sam Sparger, Joe Bob Huddleston, Calvin H. Spindor, Peter G. Fagan, Larry Don Womack and Jason L. Clark. All are standing for reelection.

6. **Ratify Action of Officers & Directors**

7. **Audited Financials: Pattillo, Brown & Hill, L.L.P.**

8. **Other Business**

F & M Bancshares, Inc.

Number of Shares 588,050 February 28, 2021

Name of Stockholder	Shares Owned	% Owned
Scott D. Allen	97,723	16.62%
J. Brad Allen	17,514	2.98%
C. M. Caraway III	27,279	4.64%
Sharon B. Clark	101,157	17.20%
Oleta Dodd VAP Trust	26,115	4.44%
Peter G. & Susanne B. Fagan	60,503	10.29%
Carla Jo Hodges Coyle, IRA	5,851	0.99%
Joe Bob Huddleston	1,824	0.31%
Jerry M. McGinnis	39,706	6.75%
Joe K. Moore	60,532	10.29%
Sandra Kaye Singleton	8,938	1.52%
Sandra K. Singleton, IRA	11,502	1.96%
W. H. Smith Jr.	31,138	5.30%
Sam Sparger & Elizabeth Sparger	54,502	9.27%
Larry J. Womack	31,276	5.32%
Larry Don Womack	6,607	1.12%
Tyler James Womack	325	0.06%
Lori Michelle Womack	5,558	0.95%
Totals	588,050	100.00%

F & M Bancshares, Inc.
De Leon, Texas
Annual Shareholder's Meeting
March 17, 2020

The meeting was called to order at 4:00pm by shareholder W. H. Smith, Jr. in conference room of subsidiary Farmers & Merchants Bank. Shareholders were in attendance.

Bank officer Joyce M. Clark reported that 570,536 shares were represented in person or by proxy for 97.02% of the total shares outstanding.

With a quorum in attendance the meeting came to order.

Joe Bob Huddleston nominated W. H. Smith, Jr. to serve as acting Chairman and Jason L. Clark to serve as acting Secretary. There were no other nominations. Both were unanimously elected.

The Chair directed everyone to the prepared shareholder's folder and to the 2019 minutes contained therein. Larry Don Womack moved approval, second by Jason L. Clark. Motion carried.

Joe Bob Huddleston made the motion to nominate the following individuals to serve as Directors:

Jason L. Clark	C. M. Caraway III	Peter G. Fagan
Calvin H. Spindor	Larry Don Womack	Scott D. Allen
Sam Sparger	W. H. Smith, Jr.	Joe B. Huddleston

There were no other nominations. All were elected unanimously.

Larry Don Womack made the motion to approve all legal acts, actions and decisions of officers and directors since the last shareholder meeting. The motion was seconded by Jason L. Clark and passed unanimously.

President & Chief Executive Officer Joe B. Huddleston reviewed the independent financial audit prepared by the accounting firm Patillo, Brown, & Hill, L.L.P., Waco Texas. It was an unqualified or "clean" opinion of F. & M. Bancshares, Inc.'s and subsidiary Farmers & Merchants Bank financial condition as of December 31, 2019 with comparable results from 2018. He then opened the floor for comments or questions. Jason L. Clark made the motion to accept and approve the 2019 audited financials. Seconded by Larry Don Womack and approved.

Chief Executive Officer Huddleston gave a recap of the major events during the past twelve months, other financial milestones, and our prospects for the coming year.

Everyone was given the additional opportunity to make comments and ask questions.

There being no other business to conduct, the meeting adjourned at 4:45 pm.

W. H. Smith, Jr., Acting Chairman

Jason L. Clark, Acting Secretary

F & M Bank Shareholders:

As a supplement to our virtual shareholders' meeting, I wanted to provide you with a short summary of Farmers and Merchants Bank operating year for 2020. Included with this summary is the financial audit that was completed by Patillo, Brown & Hill, LLP, our internal audit firm out of Waco.

First, I would like to express my appreciation to all the Directors and Shareholders for your continued support this past year. A special thanks to our senior management team of Edward Holt, Joyce Clark, Janice Hulsey, and Tim Beaty for their continued oversight and to all our Bank employees who have done such an outstanding job this year under such difficult and unprecedented circumstances. From the national scene down to our respective local communities, many have suffered. F&M has an excellent group of dedicated employees who have worked diligently every day in the best interest of the Bank and the communities we serve. There has been a tremendous amount of work that has gone on every day to keep our four branches operating smoothly to meet the needs of our customers.
We are still dealing with these unprecedented times as the Covid pandemic has continued into 2021, but hopefully we will return to "the new normal" very soon. We have continuously worked to ensure the safety of our customers as well as our employees during this challenging year and we hope we have not inconvenienced anyone while doing so.

To start the 2020 year, we were able to hire a new commercial lender for our branch in Early. Stephanie Johnston joined F&M in January of 2020. It was her desire to work for a local community bank rather than a larger, regional bank. She brings 19 years of banking experience plus a great opportunity to attract some new business to F&M. Teaming with our other employees in Early, that has proven to be a winning combination for the Bank contributing to our growth and earnings.

I am pleased to report that the Bank's overall results in 2020 were good, however, our earnings did not met our expectations stemming from the pandemic. The Board of Directors approved a $141,320 dividend (24 cents per share) even though earnings were below budgeted projections. We did experience a significant growth in deposits during the year, our loan growth has continued and we increased our deposit relationships as well. Total assets ended the year at a record setting $115 million. Loan demand remains good, and our credit quality remains satisfactory, which can be attributed to F&M's loyal customers. As I mentioned, the only deviation from our 2020 goals pertains to the Bank's earnings, which were off approximately 29%. The Feds significant reduction of interest rates to aid the economy reduced the Bank's earnings several thousand dollars per month. In addition, it was necessary that we reduce our loan rates across the board to remain competitive and to retain our existing loans. The Bank's final net earnings for 2020 were $485,884.

Patillo, Brown & Hill, LLP recently completed our 2020 internal financial audit and loan review as of YE 2020. I have enclosed that report in your packet for your review and both reports were satisfactory.

Looking ahead into 2021, we are excited about the coming year. We got off to a good start in January and February carrying over our year end momentum into 2021. Our budget projects F&M to remain profitable while operating in a low interest rate environment as the economy attempts to recover. The budget was based on modest growth while dealing in these uncertain times, but we are confident that we will exceed those projections.

Our goals remain very high for all our employees and branches to perform at a high level as we continue to grow the Bank in all areas. Our employees are constantly promoting F&M in the communities we serve and prospecting for new business development. Our marketing plan for loan growth is working and we continue to get referrals to the Bank. We take great pride in providing sound, personalized banking services at all our four branches because we believe this is a niche we can easily fill in a very competitive business.

In closing, thank you again for your continued support and if you have any questions or concerns feel free to contact me at any time.

Joe Bob Huddleston
Chief Executive Officer
(254)- 893-2031

F & M BANK Trends

	12/31/16	12/31/2017	12/31/18	12/31/19	12/31/2020
Total Assets	$82,130,860	$81,678,153	$93,122,267	$93,608,974	$115,189,388
Total Loans	$50,982,747	$49,675,158	$55,924,195	$57,970,256	$61,642,527
Total Reserves	$704,968	$715,985	$784,238	$986,127	$1,157,435
% of Reserves	1.38%	1.44%	1.40%	1.70%	1.88%
Total Deposits	$73,836,732	$73,099,879	$84,214,306	$84,309,741	$104,795,995
Total Liabilities	$74,229,776	$73,809,497	$85,046,740	$84,810,322	$105,319,826
Loan/Deposit Ratio	69.05%	67.96%	66.41%	68.76%	58.82%
Annual Earnings	$106,956	-$17,119	$415,891	$936,376	$485,884
Tier I Capital	$7,915,740	$7,909,889	$8,207,992	$8,850,343	$9,338,452
Tier I Leverage Ratio	9.85%	9.55%	9.12%	9.48%	8.20%
Total Capital	$7,901,084	$7,868,656	$8,075,526	$8,798,651	$9,869,562
Stock Value Per Share	$13.50	$13.47	$14.22	$15.07	$15.87
Acceptable & Special Mention	97.45%	99.51%	97.88%	98.23%	98.88%
Substandard	2.30%	0.46%	2.01%	0.96%	1.13%
Doubtful	0.25%	0.03%	0.11%	0.00%	0.00%
Loss	0.00%	0.00%	0.00%	0.00%	0.00%
Loan Volume in Non-Accrual	0.00%	0.00%	0.66%	0.54%	0.50%
Loan Loss Reserves	704,968	715,985	784,238	986,127	1,157,435

F & M BANCSHARES, INC.
AND SUBSIDIARY

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020 AND 2019

WITH INDEPENDENT AUDITOR'S REPORT

F & M BANCSHARES, INC. AND SUBSIDIARY

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
F & M Bancshares, Inc. and Subsidiary
DeLeon, Texas

We have audited the accompanying financial statements of F & M Bancshares, Inc. and Subsidiary (a Texas Corporation), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in stockholders' 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

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

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

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of F & M Bancshares, Inc. and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows years then ended in accordance with accounting principles generally accepted in the United States of America.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 11, 2021

F & M BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	December 31, 2020	December 31, 2019
Cash and due from banks	$ 2,954,087	$ 2,850,363
Due from banks - Demand	1,083,848	1,093,606
Due from banks - Time	2,674,340	2,661,788
Federal Reserve excess balance account	20,248,000	5,385,000
Cash and cash equivalents	26,960,275	11,990,757
Securities available-for-sale	20,383,393	17,220,378
Loans, net of allowance for loan losses of $1,157,435 and $986,128 of 2020 and 2019, respectively	60,485,092	56,984,128
Bank premises and equipment, net	4,659,531	4,743,406
Accrued interest receivable	356,787	358,998
Cash surrender value of life insurance	1,897,212	1,849,941
Prepaid expenses and other assets	270,227	283,784
Total assets	$ 115,012,517	$ 93,431,392

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

LIABILITIES & STOCKHOLDERS' EQUITY

	December 31, 2020	2019
Non-interest bearing deposits	$ 49,108,658	$ 36,147,676
Interest bearing deposits	55,680,045	48,154,062
Total deposits	104,788,703	84,301,738
Accrued interest payable	12,483	19,086
Other Liabilities	331,347	301,494
Total liabilities	105,132,533	84,622,318
Common stock, $0.10 par value; 750,000 share authorized; 588,050 and 588,050 shares issued and outstanding in 2020 and 2019, respectively	58,805	58,805
Surplus	3,627,387	3,627,387
Retained earnings	5,660,457	5,174,574
Total stockholders' equity before accumulated comprehensive income	9,346,649	8,860,766
Accumulated other comprehensive income	533,335	(51,692)
Total stockholders' equity and accumulated comprehensive income	9,879,984	8,809,074
Total liabilities & stockholders' equity	$ 115,012,517	$ 93,431,392

F & M BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 3,048,863	$ 3,064,570
Interest on securities	358,366	299,631
Interest on deposits with banks	34,486	233,445
Other interest	25,123	25,777
Total interest income	3,466,838	3,623,423
INTEREST EXPENSE	93,119	141,079
Net interest income	3,373,719	3,482,344
PROVISION FOR LOAN LOSSES	150,000	255,000
Net interest income after provision for loan losses	3,223,719	3,227,344
NON-INTEREST INCOME		
Service charges and fees	532,194	590,661
Bank-owned life insurance income	47,271	47,593
Miscellaneous	28,627	330,426
Total non-interest income	608,092	968,680
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,051,965	1,988,608
Occupancy and equipment expenses	616,557	632,879
Other operating expenses	677,406	638,163
Total non-interest expense	3,345,928	3,259,650
NET INCOME	485,883	936,374
OTHER COMPREHENSIVE INCOME		
Unrealized gain (loss) on available-for-sale debt securities	585,027	80,774
TOTAL COMPREHENSIVE INCOME	$ 1,070,910	$ 1,017,148
EARNINGS PER SHARE OF COMMON STOCK	**$ 0.83**	**$ 1.59**
COMMON SHARES OUTSTANDING	588,050	588,050

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

F & M BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balance, January 1, 2019	$ 58,805	$ 3,627,387	$ 4,532,225	$(132,466)	$ 8,085,951
Net income	-	-	936,374	-	936,374
Comprehensive income	-	-	-	80,774	80,774
Dividends paid	-	-	(294,025)	-	(294,025)
Balance, December 31, 2019	58,805	3,627,387	5,174,574	(51,692)	8,809,074
Net income	-	-	485,883	-	485,883
Comprehensive income	-	-	-	585,027	585,027
Dividends paid	-	-	-	-	-
Balance, December 31, 2020	$ 58,805	$ 3,627,387	$ 5,660,457	$ 533,335	$ 9,879,984

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

F & M BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 485,883	$ 936,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	216,041	244,679
Provision for loan loss	150,000	255,000
Net accretion of investment security discounts	95,336	19,360
Net change in:		
Cash surrender value in life insurance	(47,271)	(47,592)
Prepaids and other assets	13,557	36,271
Accrued interest receivable and prepaid expenses	2,211	(58,205)
Accrued interest payable and other liabilities	23,250	(306,854)
Net cash provided by operating activities	939,007	1,079,033
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from payments and maturities of investment securities	2,098,346	3,935,733
Purchases of investment securities	(4,771,670)	(12,611,399)
Net (increase) decrease in loans	(3,676,458)	(2,115,560)
Net (increase) decrease in recoveries	25,494	16,389
Purchases of bank premises and equipment	(132,166)	(131,381)
Proceeds from disposal of bank premises and equipment	-	6,629
Net cash used by investing activities	(6,456,454)	(10,899,589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in deposits	20,486,965	96,344
Dividends paid	-	(294,025)
Net cash provided (used) by financing activities	20,486,965	(197,681)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,969,518	(10,018,237)
CASH AND CASH EQUIVALENTS, BEGINNING	11,990,757	22,008,994
CASH AND CASH EQUIVALENTS, ENDING	$ 26,960,275	$ 11,990,757
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 99,722	$ 139,205

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

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

F & M Bancshares, Inc. and its wholly-owned subsidiary, Farmers and Merchants Bank (collectively the "Company") provide a variety of banking and financial services to its customers. The Company's customers include individuals and small businesses from its commercial banking offices in Deleon, Eastland, Early, and Stephenville, Texas. Its primary deposit products are interest-bearing deposits and term certificates accounts, and its primary lending products are mortgage, consumer, and commercial loans.

The accounting and reporting policies and practices of the Company conform with accounting principles generally accepted in the United States of America ("GAAP"). The following is a summary of the Company's significant accounting policies:

Principles of Consolidation

The consolidated financial statements include the accounts of F & M Bancshares, Inc. and its wholly owned subsidiary, Farmers and Merchants Bank (the "Bank"). All significant intercompany balances and transactions have been eliminated in consolidation.

Changes in Accounting Standards

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* The main provision of this ASU requires investments in equity securities, except those accounted for under the equity method and those that result in consolidation, to be measured at fair value with changes in fair value recognized in net income, even those that are considered to be available-for-sale. The Company evaluated its available-for-sale securities and noted that as all investments held were in debt securities, an adjustment to accumulated other comprehensive income was unnecessary.

Also on January 1, 2019, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "Accounting Standards Codification ("ASC") Topic 606".) ASC Topic 606 is applicable to noninterest revenue streams such as gains and losses from the transfer of nonfinancial assets, deposit related fees, interchange fees, and merchant income. Most of the Company's revenues come from interest income and other sources, including loan servicing & origination fees, debt securities gains and losses, and changes to the cash surrender value of bank-owned life insurance ("BOLI"), that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented with noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include deposit service charges, interchange income, and gains and losses on the sale of other real estate owned ("OREO") and bank, premises, and equipment. The Company adopted ASU 2014-09 and its related amendments utilizing the modified retrospective approach. However, since there was no net income impact upon adoption of the new guidance, a cumulative effect to opening retained earnings was not deemed necessary. Revenue streams and the timing of recognition are further discussed in Note 14.

Comprehensive Income

GAAP generally requires that recognized revenue, expenses, and gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, are reported as a separate component of the stockholders' equity section of the balance sheet. Such items, along with net income, are components of comprehensive income.

Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the financial statements relate to the determination of the allowance for loan losses, depreciable lives of bank premises and equipment, and fair value of investments in available-for-sale securities.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located in Comanche County, Eastland County, Brown County, Erath County and the surrounding areas. Note 3 discusses the types of securities in which the Company invests. Note 4 discusses the types of lending in which the Company engages. The Company does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits in banks with an original maturity of 90 days or less, and federal funds sold. Generally, federal funds are sold for one-day periods.

Interest-bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Investment Securities

Securities classified as held-to-maturity are those debt securities that the Company has both the positive intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are recorded at amortized cost. As of December 31, 2020, and 2019, the Company no longer has securities classified as held-to-maturity.

Securities classified as available-for-sale are debt securities with readily determinable fair values and those debt securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of stockholders' equity, net of the related deferred tax effect. During the years ended December 31, 2020 and 2019, the Bank had no securities classified as trading securities.

Dividends and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of comprehensive income.

Gains and losses realized on sales of investment securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of comprehensive income. Additionally, declines in the estimated fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. Factors affecting the determination of whether an other-than-temporary impairment loss has occurred include (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 Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Restricted stock is stock from the Federal Home Loan Bank ("FHLB") and Texas Independent Bank which is 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 this stock is carried at cost.

Loans and Allowance for Loan Losses

Loans are carried at the amount of unpaid principal, adjusted for deferred loan fees and origination costs. Interest on loans is accrued based on the principal amounts outstanding. Nonrefundable loan fees and related direct costs are deferred and the net amount is amortized to income as a yield adjustment over the life of the loan using the interest method. Delinquencies of any principal or interest will be noted on a weekly basis through a past due report.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

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 un-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance is based on two basic principles of accounting: (i) Financial Accounting Standards Board ("FASB") ASC 450, *Contingencies*, which requires that losses be accrued when they are probable of occurring and estimable and (ii) FASB ASC 310, *Receivables*, which requires that losses or impaired loans be accrued based on the differences between the loan balance and either the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, or the present value of future cash flows, or the loan's value as observable in the secondary market. A loan is considered impaired when, based on current information and events, the Company has concerns about the ability to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and 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.

The Company's allowance for loan losses has two basic components: the specific allowance and the segment allowance. Each of these components is determined based upon estimates that can and do change when the actual events occur. As a result of the uncertainties inherent in the estimation process, management's estimate of loan losses and the related allowance could change in the near term.

The specific allowance component is used to individually establish an allowance for loans identified for impairment testing. When impairment is identified, a specific reserve may be established based on the Company's calculation of the estimated loss embedded in the individual loan. Impairment testing includes consideration of the borrower's overall financial condition, resources and payment record, support available from financial guarantors and the fair market value of collateral. These factors are combined to estimate the probability and severity of inherent losses. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately evaluate individual consumer and residential loans for impairment.

The segmented formula component is used to estimate the losses inherent in the segments of non-classified loans. These loans are then also segregated by loan type and allowance factors are assigned by management based on delinquencies, loss history, trends in volume and terms of loans, effects of changes in lending policy, the experience and depth of management, national and local economic trends, concentrations of credit, results of the loan review system and the effect of external factors (i.e. competition and regulatory requirements), as well as current economic conditions. The allowance factors assigned differ by loan type.

Allowance factors and overall size of the allowance may change from period to period based on management's assessment of the above-described factors and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for loan losses. These agencies may require the Bank to make additions to the allowance for loan losses based on their judgments of collectability based on information available to them at the time of their examination.

Loans are placed into a non-accruing status and classified as nonperforming when the principal or interest has been in default and expected to become a loss unless the obligation is well secured and in the process of collection. A debt is "well secured" if it is secured by (i) pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt, (including accrued interest), in full, or (ii) the guarantee of a financially responsible party. A debt is "in the process of collection" if collection on the debt is proceeding in due course either through legal action, including judgment enforcement procedure, or, in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status.

Loans classified as substandard or worse are considered for impairment testing. A substandard loan shows signs of continuing negative financial trends and unprofitability and therefore, is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. The borrower on such loans typically exhibits one or more of the following characteristics: financial ratios and profitability margins are well below industry average; a negative cash flow position exists; debt service capacity is insufficient to service the debt and an improvement in the cash flow position is unlikely within the next twelve months; secondary and tertiary means of debt repayment are weak. Loans classified as substandard are characterized by the probability that the Bank will not collect amounts due according to the contractual terms or will sustain some loss if the deficiencies are not corrected.

Loss potential, while existing with respect to the aggregate amount of substandard (or worse) loans, does not have to exist in any individual assets classified as substandard. Such credits are also evaluated for nonaccrual status.

Impaired loans include loans that have been classified as substandard or worse. However, certain loans have been paying as agreed and have remained current, with some financial issues related to cash flow that have caused some concern as to the ability of the borrower to perform in accordance with the current loan terms but not to such an extent as to require the loan be put into a non-accruing status. Cash receipts on impaired loans are recorded as interest income as received, unless the loan is in a nonaccrual status.

The Company's charge-off policy states after all collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Company's established allowance for loan losses. Consumer loans subject to the Uniform Retail Credit Classification are charged-off as follows: (a) closed end loans are charged-off no later than 120 days after becoming delinquent, (b) consumer loans to borrowers who subsequently declare bankruptcy, where the Company is an unsecured creditor, are charged-off within 90 days of receipt of the notification from the bankruptcy court, (c) fraudulent loans are charged-off within 90 days of discovery and (d) death of a borrower will cause a charge-off to be incurred at such time an actual loss is determined. All other types of loans are generally evaluated for loss potential at the 90th day past due threshold, and any loss is recognized no later than the 120th day past due threshold; each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss.

Bank Premises and Equipment

Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation and amortization. The provision for depreciation is computed using the straight-line method based on the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the terms of the leases or their estimated useful lives. Expenditures for improvements, which extend the life of an asset, are capitalized and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of properties and equipment are reflected in the consolidated statements of comprehensive income. Expenditures for repairs and maintenance are charged to operating expenses as incurred. The estimated useful lives range from 3 to 40 years.

Foreclosed Properties

Foreclosed properties include properties that have been acquired in complete or partial satisfaction of a debt. These properties are initially recorded at fair value on the date of acquisition. Any write-downs at the time of acquisition are charged to the allowance for loan losses. Subsequent to acquisition, a valuation allowance is established, if necessary, to report these assets at the lower of (a) fair value minus estimated costs to sell or (b) cost. Gains and losses realized on the sale, and any adjustments resulting from periodic re-evaluation of the property are included in noninterest income or expense, as appropriate. Net costs of maintaining and operating the properties are expensed as incurred.

Bank Owned Life Insurance

The Bank purchased single-premium life insurance on certain employees of the Bank. The assets are recorded on the financial statements at cash surrender value. Appreciation in value of the insurance policies is classified as noninterest income.

Income Taxes

During 2006, the Company, with the consent of its stockholders, elected to be taxed as an S Corporation under federal income tax law, which provides that, in lieu of corporate income taxes, the stockholders separately account for their pro rata shares of the Company's income, deductions, losses, and credits. This election was effective for the year beginning January 1, 2007; therefore, beginning in 2007, no income taxes will be recognized in the Company's consolidated statements of comprehensive income. The Company generally remains subject to examination of income tax returns for three years after filing.

Earnings Per Common Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. For the years ended December 31, 2020 and 2019, the Company had no dilutive potential common shares; therefore, diluted income per share does not differ from basic income per share.

Off-balance Sheet Credit Related Financial Instruments

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

Compensated Absences

Employees of the Bank are entitled to paid vacations and sick days depending on job classification, length of service, and other factors. Vacation days do not rollover and it is unreasonable to estimate the amount of compensation for future sick days, and accordingly, no liability has been recorded in the accompanying consolidated balance sheets. The Bank's policy is to recognize the costs of compensated absences when actually paid.

Advertising Expenses

Costs of advertising are expensed as incurred. Total advertising expense for 2020 and 2019 was $85,166 and $91,230, respectively.

Fair Value Measurements

The Company follows the guidance of FASB ASC 825, Financial Instruments, and FASB ASC 820, Fair Value Measurement. This guidance 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. This guidance 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).

Government Regulatory Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic, Congress, through the enactment of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"), and the federal banking agencies, though rulemaking, interpretive guidance and modifications to agency policies and procedures, have taken a series of actions to address regulatory capital, liquidity risk management, financial management and reporting, and operational considerations for banking organizations. Notable developments include the following.

Regulatory Capital

Section 4012 of the CARES Act temporarily sets the Community Bank Leverage Ratio ("CBLR") at 8% and provides a grace period to banks that fall below that ratio. These provisions were originally set to expire at the earlier of (i) the end of the emergency declaration or (ii) December 31, 2020. Separately, on March 22, the FDIC published answers to frequently asked questions for financial institutions affected by the COVID-19 crisis which state that financial institutions have the flexibility to delay their CBLR elections. Previously, financial institutions were required to reflect their CBLR elections on their March 31, 2020 Consolidated Reports of Income and Condition (Call Reports); however, the FDIC's new guidance provides that a decision to elect CBLR for the March Call Report is not binding and may be reversed in a subsequent quarter. On April 6, the federal banking agencies issued two interim final rules (the "IFRs") to implement Section 4012 of the CARES Act. The first IFR stated as of the second quarter 2020 and through December 31, 2020, the CBLR will be 8%. A community banking organization with a CBLR of 8% or greater (and that meets other qualifying criteria) may elect to use the CBLR framework during this period. In addition, the IFR established a two-quarter grace period, during which a community banking organization that temporarily fails to meet any of the qualifying criteria, including the 8% CBLR requirement, is still considered to be well-capitalized as long as it maintains a CBLR of at least 7%. The second IFR provided a gradual transition back to the previously required 9% CBLR. The CBLR will be 8.5% for 2021 and 9% thereafter.

Loan Modifications

The CARES Act allows financial institutions to elect to suspend the application of GAAP to any loan modification related to COVID-19 from treatment as a troubled debt restructuring ("TDR") for the period between March 1, 2020 and the earlier of (i) 60 days after the end of the national emergency proclamation or (ii) December 31, 2020. A financial institution may elect to suspend GAAP only for a loan that was not more than 30 days past due as of December 31, 2019. In addition, the temporary suspension of GAAP does not apply to any adverse impact on the credit of a borrower that is not related to COVID-19. The suspension of GAAP is applicable for the entire term of the modification, including an interest rate modification, a forbearance agreement, a repayment plan, or other agreement that defers or delays the payment of principal and/or interest. Accordingly, a financial institution that elects to suspend GAAP should not be required to increase its reported TDRs at the end of the period of relief, unless the loans require further modification after the expiration of that period.

The Paycheck Protection Program

The Paycheck Protection Program ("PPP") was designed by the U.S. Treasury under the CARES Act to provide liquidity using the Small Business Administration's ("SBA") platform to small businesses and self-employed individuals to maintain their staff and operations through the COVID-19 pandemic. This liquidity is in the form of a loan, 100% guaranteed by the SBA, that is forgivable provided the funds are used on qualifying payroll costs, and to a lesser extent, rent, utilities and interest on qualifying mortgage payments. The loans bear a fixed rate of 1.0% and loan payments are deferred through the date that the SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period). The Bank chose not to participate in the PPP Loan Program.

2. RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS

The Company is required to maintain average cash balances on hand or with the Federal Reserve Bank. This reserve balance amounted to $0 and $873,000 at December 31, 2020 and 2019, respectively.

3. INVESTMENT SECURITIES

Securities available-for-sale at December 31, 2020, consists of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities Available-for-Sale at December 31, 2020:				
U. S. Government agency securities	$ 9,922,446	$ 390,696	$ -	$ 10,313,142
Collateralized mortgage obligations securities	453,416	5,395	-	458,811
Municipal securities	6,275,544	103,791	-	6,379,335
Mortgage-backed securities	3,198,652	33,453	-	3,232,105
	$ 19,850,058	$ 533,335	$ -	$ 20,383,393

Securities available-for-sale at December 31, 2019, consists of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Securities Available-for-Sale at December 31, 2019:				
U. S. Government agency securities	$ 9,981,456	$ -	$ 17,986	$ 9,963,470
Collateralized mortgage obligations securities	779,566	-	7,795	771,771
Municipal securities	2,131,997	2,563	-	2,134,560
Mortgage-backed securities	4,379,051	-	28,474	4,350,577
	$ 17,272,070	$ 2,563	$ 54,255	$ 17,220,378

The fair value for available-for-sale securities by contractual maturity at December 31, 2020, are as follows:

	Within One Year	After One Year Through Five Years	After Five Years Through Ten Years	Over Ten Years	Total
Securities Available-for-Sale at Fair Value:					
U. S. Government agency securities	$ -	$ 10,313,142	$ -	$ -	$ 10,313,142
Collateralized mortgage obligations securities	-	123,984	67,855	266,972	$ 458,811
Municipal securities	732,116	3,932,636	1,714,583	-	6,379,335
Mortgage-backed securities	1,034	1,570,611	879,577	780,883	3,232,105
	$ 733,150	$ 15,940,373	$ 2,662,015	$ 1,047,855	$ 20,383,393

The fair value for available-for-sale securities by contractual maturity at December 31, 2019, are as follows:

	Within One Year	After One Year Through Five Years	After Five Years Through Ten Years	Over Ten Years	Total
Securities Available-for-Sale at Fair Value:					
U. S. Government agency securities	$ -	$ 9,963,470	$ -	$ -	$ 9,963,470
Collateralized mortgage obligations securities	-	347,930	99,763	324,078	771,771
Municipal securities	-	1,915,838	218,722	-	2,134,560
Mortgage-backed securities	3,259	2,221,432	1,193,072	932,814	4,350,577
	$ 3,259	$ 14,448,670	$ 1,511,557	$ 1,256,892	$ 17,220,378

Available-for-sale investment securities with amortized cost of approximately $3,212,928 and $2,919,984 and market value of approximately $3,352,222 and $2,926,986 at December 31, 2020 and 2019, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities Available-for-Sale at December 31, 2020:						
Collateralized mortgage obligation securities	$ 18,798	$ 245	$ 417	$ 3	$ 19,215	$ 248
Mortgage-backed securities	269,560	522	151,308	49	420,868	571
	$ 288,358	$ 767	$ 151,725	$ 52	$ 440,083	$ 819

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities Available-for-Sale at December 31, 2019:						
U.S. Government agency securities	$ 6,424,319	$ 67,383	$ -	$ -	$ 6,424,319	$ 67,383
Collateralized mortgage obligation securities	1,014	10	466,210	10,857	467,224	10,867
Municipal securities	1,526,471	5,012	-	-	1,526,471	5,012
Mortgage-backed securities	1,500,651	4,902	1,870,106	33,179	3,370,757	38,081
	$ 9,452,455	$ 77,307	$ 2,336,316	$ 44,036	$ 11,788,771	$ 121,343

Management evaluates securities for other-than-temporary impairments at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As of December 31, 2020 and 2019, the Company did not have any securities with other-than-temporary impairment.

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

The components of loans in the consolidated balance sheets were as follows:

	December 31, 2020	December 31, 2019
Mortgage	$ 19,608,723	$ 19,437,341
Commercial	9,131,331	6,554,630
Agriculture	3,994,204	4,837,600
Tax-exempt	180,200	3,957
Individuals	28,720,925	27,126,399
Overdrafts	7,144	10,329
	61,642,527	57,970,256
Less allowance for loan losses	(1,157,435)	(986,128)
Total loans, net of allowance for loan losses	$ 60,485,092	$ 56,984,128

At December 31, 2020 and 2019 the Company has $30,916,913 and $30,192,088 of commercial real estate and residential real estate mortgage loans pledged as collateral for certain borrowings.

The Company's goal is to mitigate risks from an unforeseen threat to the loan portfolio as a result of an economic downturn or other negative influences. Plans that aid in mitigating these potential risks in managing the loan portfolio include: enforcing loan policies and procedures, evaluating the borrower's business plan through the loan term, identifying and monitoring primary and alternative sources of repayment, and obtaining adequate collateral to mitigate loss in the event of liquidation. Specific reserves are established based upon credit and/or collateral risks on an individual loan basis. A risk rating system is used to estimate potential loss exposure and to provide a measuring system for setting general and specific reserve allocations.

As of December 31, 2020, and 2019, the commercial and residential real estate loan portfolio constituted 50.2% and 52.1% of the total loan portfolio. This can be broken down further into the following categories: 11.7% and 13.0% commercial real estate, 27.8% and 29.0% owner occupied residential real estate, and 7.3% and 8.0% non-owner occupied residential real estate, and 3.4% and 2.1% family construction loans, as a percent of total loans.

The following table presents the activity in the allowance for loan losses for the year and the recorded investment in loans and impairment method as of December 31, 2020 and 2019 by portfolio segment:

	December 31, 2020	December 31, 2019
Balance at beginning of year	$ 986,128	$ 784,238
Provision for loan losses	150,000	255,000
Loans charged off	(4,187)	(69,499)
Recoveries of loans previously charged off	25,494	16,389
Balance at end of year	$ 1,157,435	$ 986,128

The following table presents the activity in the allowance for loan losses for the year 2020 and the recorded investment in loans and impairment method as of December 31, 2020 by portfolio segment:

	Real Estate	Commercial	Consumer	Agriculture	Other	Unallocated	Total
Allowance for Loan Losses:							
Beginning of Year	$ 205,095	$ 31,747	$ 56,515	$ 134,344	$ 19,138	$ 539,289	$ 986,128
Provisions	69,681	95,590	59,357	1,068	(8,072)	(67,624)	150,000
Charge-offs	-	-	-	-	-	(4,187)	(4,187)
Recoveries	-	-	-	-	-	25,494	25,494
End of Year	$ 274,776	$ 127,337	$ 115,872	$ 135,412	$ 11,066	$ 492,972	$ 1,157,435
Reserves:							
Specific	$ 26,701	$ 11,973	$ 16,066	$ -	$ -	$ -	$ 54,740
General	248,075	115,364	99,806	135,412	11,066	-	609,723
Unallocated	-	-	-	-	-	492,972	492,972
	$ 274,776	$ 127,337	$ 115,872	$ 135,412	$ 11,066	$ 492,972	$ 1,157,435

The following table presents the activity in the allowance for loan losses for the year 2019 and the recorded investment in loans and impairment method as of December 31, 2019 by portfolio segment:

	Real Estate	Commercial	Consumer	Agriculture	Other	Unallocated	Total
Allowance for Loan Losses:							
Beginning of Year	$ 179,281	$ 53,289	$ 39,720	$ 71,450	$ 14,790	$ 425,708	$ 784,238
Provisions	25,814	7,551	16,795	62,894	4,348	137,598	255,000
Charge-offs	-	(29,093)	-	-	-	(40,406)	(69,499)
Recoveries	-	-	-	-	-	16,389	16,389
End of Year	$ 205,095	$ 31,747	$ 56,515	$ 134,344	$ 19,138	$ 539,289	$ 986,128
Reserves:							
Specific	$ -	$ -	$ 12,040	$ -	$ -	$ -	$ 12,040
General	205,095	31,747	44,475	134,344	19,138	-	434,799
Unallocated	-	-	-	-	-	539,289	539,289
	$ 205,095	$ 31,747	$ 56,515	$ 134,344	$ 19,138	$ 539,289	$ 986,128

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Bank uses the following definitions for risk ratings:

Special Mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – A loan is considered impaired, when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Additionally, all loans classified as troubled debt restructurings are considered impaired.

Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller, homogeneous loans not assessed on an individual basis.

Based on the most recent analysis performed, the risk category of loans by class of loans was as follows as of December 31, 2020:

	Pass	Special Mention	Substandard	Impaired	Total
Real Estate	$ 29,622,970	$ 1,037,106	$ 256,837	$ -	$ 30,916,913
Commercial	5,952,645	214,887	65,279	-	6,232,811
Consumer	4,957,724	-	63,767	-	5,021,491
Agriculture	18,941,513	34,460	307,995	-	19,283,968
Tax-exempt	180,200	-	-	-	180,200
Other	7,144	-	-	-	7,144
	$ 59,662,196	$ 1,286,453	$ 693,878	$ -	$ 61,642,527

Past due and nonaccrual loans presented by loan class were as follows as of December 31, 2020:

	Still Accruing		
	30-89 Days Past Due	Over 90 Days Past Due	Nonaccrual
Real estate	$ 58,000	$ -	$ -
Commercial	-	-	-
Consumer	6,689	-	-
Agriculture	-	-	307,995
Other	-	-	-
	$ 64,689	$ -	$ 307,995

Non-performing loans consisting of loans on which interest is recorded only when received totaled $307,995 and $312,352 at December 31, 2020 and 2019, respectively. No additional funds are committed to be advanced in connection with these loans. No unpaid interest income is recorded in the results of operations on these loans as of December 31, 2020 and 2019.

5. ACCRUED INTEREST RECEIVABLE

Accrued interest receivable at December 31, 2020 and 2019, consists of the following:

	2020	2019
Loans	$ 229,179	$ 248,177
Investments	127,608	110,821
Total accrued interest	$ 356,787	$ 358,998

6. BANK PREMISES AND EQUIPMENT

Components of Bank premises and equipment included in the consolidated balance sheets are as follows:

	December 31,	
	2020	2019
Land	$ 1,317,544	$ 1,317,544
Buildings	4,060,533	4,037,692
Equipment and furniture	1,544,253	1,434,928
	6,922,330	6,790,164
Less accumulated depreciation	(2,262,799)	(2,046,758)
Bank premises and equipment, net	$ 4,659,531	$ 4,743,406

Depreciation expense for the years ended December 31, 2020 and 2019, amounted to $216,041 and $244,679, respectively, and is included in occupancy and equipment expense on the Company's consolidated statements of comprehensive income.

7. DEPOSITS

The aggregate balance of certificates of deposit, with a minimum denomination of $250,000, were $896,454 at December 31, 2020, and $609,156 at December 31, 2019. Interest expense of $2,205 and $9,085 was paid on certificates of deposit greater than or equal to $250,000 during 2020 and 2019, respectively, and is included in interest expense.

At December 31, 2020 and 2019, the scheduled maturities of all certificates of deposit are as follows:

	2020	2019
Due in one year or less	$ 9,545,334	$ 9,871,363
Over one year through two years	321,368	583,284
Over two years through three years	48,203	-
Over three years through five years	-	-
Over five years	-	-
	$ 9,914,905	$ 10,454,647

Overdrafts of demand deposits and savings accounts are included in loans receivable. The number of overdrafts at December 31, 2020 and 2019 amounted to $7,144 and $10,329, respectively.

8. OFF-BALANCE SHEET ACTIVITIES

Credit-related Financial Instruments

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

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

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

	December 31,	
	2020	2019
Unfunded commitments under lines of credit	$ 2,996,080	$ 5,270,183
Standby letters of credit	180,000	180,000

Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit may not be drawn upon to the total extent to which the Company is committed.

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Company's credit evaluation of the customer. Collateral held varies but may include cash; securities; accounts receivable; inventory; property, plant, and equipment; and real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary. The Company does not expect any material losses as a result of loan commitments or standby or commercial letters of credit that were outstanding at December 31, 2020 and 2019.

In the normal course of business, the Bank maintains deposits with other financial institutions in amounts which exceed FDIC insurance coverage limits.

The Bank has entered into unsecured federal funds lines of credit with TIB. The available line with TIB was $4,000,000 at December 31, 2020 and 2019.

9. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has granted loans to its principal officers, directors and their affiliates. Loans of approximately $1,504,938 and $2,087,053 at December 31, 2020 and 2019, respectively, were outstanding to such parties. Deposits from these parties held by the Bank at December 31, 2020 and 2019, amounted to $2,695,893 and $2,859,435, respectively.

10. EMPLOYEE BENEFITS

The Company has a 401(k) profit-sharing plan and trust that covers all employees meeting certain age and length of service requirements. Employees may contribute to the Plan subject to certain limits based on federal tax laws. The matching contribution by the Company is discretionary and determined annually by the Board of Directors. Benefits vest at a rate of 20% each year after six months of service. Profit sharing expense for the years ended December 31, 2020 and 2019, was $39,193 and $40,465, respectively.

Funding for the benefits was to be provided by Bank-owned life insurance policies providing a tax-deferred investment for future benefit payments along with life insurance coverage for the participants. The specified employee is the insured person under the life insurance policies and the Bank is the owner and beneficiary. Cash surrender values of the policies totaled $1,897,212 and $1,849,941 at December 31, 2020 and 2019, respectively.

The Bank established deferred compensation agreements with select employees as part of an executive compensation and retention program. The deferred compensation agreements will be earned over a service period of five and twenty-four years. The payment will be made monthly over the course of the subsequent periods. At December 31, 2020 and 2019, the Bank had accrued $0 and $2,500, respectively, for these deferred compensation agreements. This amount is included as a component of accrued expenses on the accompanying consolidated balance sheets.

11. FAIR VALUE MEASUREMENTS

ASC 820, "*Fair Value Measurements and Disclosures*," establishes a framework for measuring fair value. That framework provides 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 ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;

- Inputs other than quoted prices that are observable for the asset or liability; and

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full-term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets recorded at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Investment securities–
The fair value of securities is determined by quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Securities available-for-sale are recorded at fair value on a recurring basis.

Foreclosed assets –
Foreclosed assets include foreclosed properties securing residential and auto loans. Foreclosed assets are adjusted to fair value less estimated costs to sell upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Bank's assets measured at fair value on a recurring basis as of December 31, 2020 and 2019.

Assets at Fair Value as of
December 31, 2020

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. Government agencies	$ 10,313,142	$ -	$ 10,313,142	$ -
Collateralized mortgage obligations securities	458,811	-	458,811	-
Municipal securities	6,379,335	-	6,379,335	-
Mortgage-backed securities	3,232,105	-	3,232,105	-
Total securities available-for-sale	$ 20,383,393	$ -	$ 20,383,393	$ -

Assets at Fair Value as of
December 31, 2019

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. Government agencies	$ 9,963,470	$ -	$ 9,963,470	$ -
Collateralized mortgage obligations securities	771,771	-	771,771	-
Municipal securities	2,134,560	-	2,134,560	-
Mortgage-backed securities	4,350,577	-	4,350,577	-
Total securities available-for-sale	$ 17,220,378	$ -	$ 17,220,378	$ -

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets.

The Bank had no assets measured at fair value on a nonrecurring basis in 2020 and 2019 that were still held in the consolidated balance sheet at each respective year-end.

12. MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Company (on a consolidated basis) and the Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company and Bank's consolidated financial statements. Under regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Additionally, the Bank must meet specific capital guidelines to be considered well capitalized per the regulatory framework for prompt corrective action. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

The Bank and the Company must maintain certain minimum capital ratios as set forth in the table below for capital adequacy purposes. In September 2019, the regulatory agencies, including the Office of the Comptroller of the Currency and FRB, adopted a final rule, effective January 1, 2020, creating a Community Bank Leverage Ratio ("CBLR") for institutions with total consolidated assets of less than $10 billion and that meet other qualifying criteria. Qualifying institutions that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the regulatory agencies' capital rules and to have met the well-capitalized ratio requirements. In April 2020, as directed by Section 4012 of the CARES Act, the regulatory agencies introduced temporary changes to the CBLR. These changes, which subsequently were adopted as a final rule, temporarily reduced the CBLR requirement to 8% through the end of calendar year 2020. Beginning in calendar year 2021, the CBLR requirement will increase to 8.5% for the calendar year before returning to 9% in calendar year 2022. Management has elected to use the CBLR framework for the Bank and Company.

Before electing to use the CBLR framework, the Company and Bank were required to maintain a capital conservation buffer above certain minimum risk-based capital ratios for capital adequacy purposes in order to avoid certain restrictions on capital distributions and other payments including dividends, share repurchases, and certain compensation. The capital conservation buffer was 10.53% at December 31, 2019, and the Bank and Company exceeded the capital conservation buffer requirement at that time.

Management believes, as of December 31, 2020, that the Bank and Company meet all capital adequacy requirements to which they are subject and there were no conditions or events subsequent to December 31, 2020 that would change the Bank's or Company's category.

The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019, are presented in the following table.

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Actual	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:						
CBLR	$ 9,337	8.2%	$ 9,108	8.0%	N/A	N/A
December 31, 2019:						
Total Capital to Risk-Weighted Assets	$ 9,613	15.8%	$ 4,861	8.0%	$ 6,076	10.0%
Tier 1 Capital to Risk-Weighted Assets	8,851	14.6%	3,646	6.0%	4,861	8.0%
Common Equity Tier 1 Capital to Risk-Weighted Assets	8,851	14.6%	2,734	4.5%	3,949	6.5%
Tier 1 Capital to Average Assets	8,851	9.5%	3,734	4.0%	4,667	5.0%

13. CONTINGENCIES

During 2019, the Company appealed the verdict in the lender liability case where it had been identified as a potentially responsible. Based upon the original verdict related to this judgement, the Company had recognized a contingent liability in the amount of $325,822 as the amount due based on this judgement. The Company won the appeal and the case has since been dispensed. Therefore, the Company reversed the previous contingent liability in 2019.

14. RECOGNITION OF REVENUE

The Company earns revenue from a variety of sources. The Company's principal source of revenue is interest income on both loans and financial securities while the remainder of the Company's revenue is earned from a variety of fees, service charges, gains and losses, and other income, all of which are classified as noninterest income.

Revenue streams within the scope of and accounted for under ASC 606 include: service charges and fees on deposit accounts, interchange fees, gains and losses from the sale of OREO and bank, premises, and equipment. ASC 606 requires revenue to be recognized when the Company satisfies the related performance obligations by transferring to the customer a good or service through a 5-step process:

1) Identify the contract with the customer,
2) Identify the associated performance obligations,
3) Determine the transaction price,
4) Allocate the transaction price to the performance obligations, and
5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

The majority of the Company's contracts with customers associated with revenue streams that are within the scope of ASC 606 are considered short-term in nature and can be canceled at any time by the customer or the Company without penalty, such as a deposit account agreement.

The following table provides a summary of the Company's revenue streams, including those that are within the scope of ASC 606 and those that are accounted for under other applicable U.S. GAAP:

	For the Years ended December 31,			
	2020		2019	
	Within Scope (1)	Out of Scope (2)	Within Scope (1)	Out of Scope (2)
Interest Income:				
Loans	$ 127,329	$ 2,921,534	$ 106,915	$ 2,957,655
Investments	-	417,975	-	558,853
Total interest income	127,329	3,339,509	106,915	3,516,508
Noninterest Income:				
Service Charges & Fees	532,194	-	590,661	-
Earnings on BOLI	-	47,271	-	47,593
Other Income	28,627	-	4,604	325,822
Total noninterest income	560,821	47,271	595,265	373,415
Total revenue	$ 688,150	$ 3,386,780	$ 702,180	$ 3,889,923

(1) Revenues from contracts with customers accounted for under ASC 606
(2) Revenues not within the scope of ASC 606 and accounted for under other applicable U.S. GAAP requirements.

The following provides expanded information concerning the major components of the Company's revenue:

Interest income. Interest income is comprised of interest and fees on loans and investment securities. Interest is recognized using the interest method, which reflects the contractual yield on loans and coupon yield for investment securities.

Services Charges/Service Fee Income. Service charges on deposit accounts and other service fee income consists of periodic service charges on deposit accounts and transaction-based fees such as those related to overdrafts, ATM charges, and wire transfer fees. The majority of these revenues are accounted for under ASC 606. Performance obligations for periodic service charges on deposit accounts are typically short-term in nature and are generally satisfied on a monthly basis, while performance obligations for other transaction based fees are typically satisfied at a point in time with no further obligations on behalf of the Company to the customer. Periodic service charges are generally collected monthly directly from the customer's deposit account, and at the end of a statement cycle, while transaction-based service charges are typically collected at the time of or soon after the service is performed. Interchange fee income consists of transaction processing fees associated with customer transactions processed through a payment network and are accounted for under ASC 606. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value, and the related performance obligations are generally satisfied at a point in time when the transfer of funds is complete.

Earnings on bank owned insurance. Earnings on BOLI and Key man life insurance relate to the periodic increase in the surrender value of the underlying policies for which the Company is the owner and beneficiary of the related policies. This revenue stream is excluded from the scope of ASC 606 and is accounted for under other applicable U.S. GAAP provisions.

Other Income. Other revenue streams for the Company include mortgage referral and related income, all of which are included in the scope of ASC 606. At December 31, 2019, the Company accrued a gain on a prior litigation contingency of $325,822 after the dispensation of the litigation. This revenue is excluded from the scope of ASC 606. Other revenue streams that may be applicable to the Company include gains and losses from the sale of non-financial assets such as OREO and bank, premises, and equipment. The Company accounts for these revenue streams in accordance with ASC 610-20, which requires the Company to look to guidance in ASC 606 in the application of certain measurement and recognition concepts. The Company records gains and losses on the sale of non-financial assets when control of the asset has been surrendered to the buyer, which generally occurs at a specific point in time.

15. SUBSEQUENT EVENTS

The Company has evaluated the accompanying consolidated financial statements for subsequent events and transactions through March 11, 2021, the date these financial statements were available for issue, based on FASB ASC 855, Subsequent Events, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

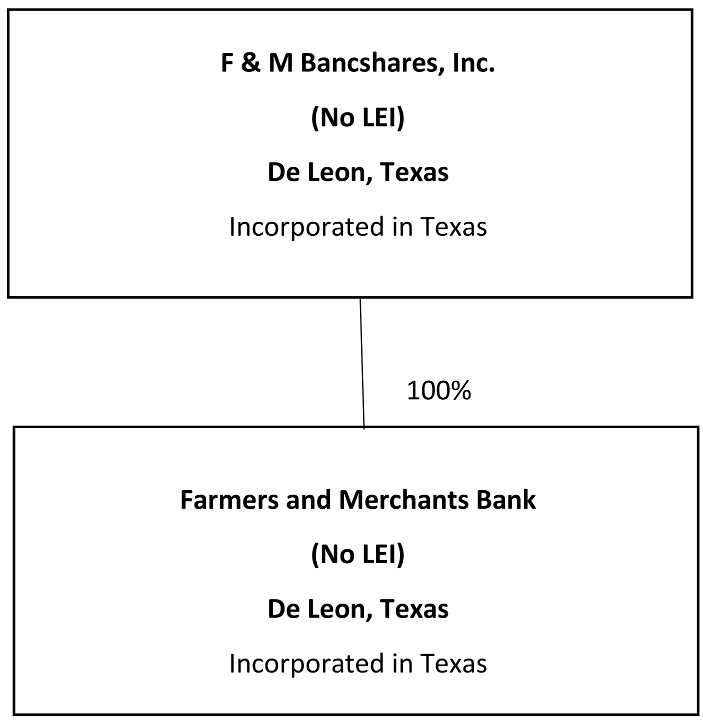
Form FR Y-6

F & M Bancshares, Inc.
De Leon, Texas
Fiscal Year Ending December 31, 2020

Report Item

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the appropriate Reserve Bank, 1 copy is enclosed.

2a: Organizational Chart



Results: A list of branches for your depository institution: FARMERS AND MERCHANTS BANK (ID_RSSD: 555256).
This depository institution is held by F & M BANCSHARES, INC. (2344641) of DE LEON, 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)	555256	FARMERS AND MERCHANTS BANK	240 SOUTH TEXAS STREET	DE LEON	TX	76444	COMANCHE	UNITED STATES	Not Required	Not Required	FARMERS AND MERCHANTS BANK	555256	
OK		Limited Service	559450	DETACHED FACILITY	249 SOUTH TEXAS STREET	DE LEON	TX	76444	COMANCHE	UNITED STATES	Not Required	Not Required	FARMERS AND MERCHANTS BANK	555256	
OK		Full Service	4147163	BROWNWOOD-EARLY BRANCH	118 EARLY BOULEVARD	EARLY	TX	76802	BROWN	UNITED STATES	Not Required	Not Required	FARMERS AND MERCHANTS BANK	555256	
OK		Full Service	2891994	EASTLAND BRANCH	930 EAST MAIN STREET	EASTLAND	TX	76448	EASTLAND	UNITED STATES	Not Required	Not Required	FARMERS AND MERCHANTS BANK	555256	
OK		Full Service	4563688	STEPHENVILLE BRANCH	2653 WEST WASHINGTON STREET	STEPHENVILLE	TX	76401	ERATH	UNITED STATES	Not Required	Not Required	FARMERS AND MERCHANTS BANK	555256	

Form FR Y-6
F & M BANCSHARES, INC.
Fiscal Year Ending December 31, 2020

Report Item 3: Securities holders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities

Current securities holders with ownersho, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2020

Scott D. Allen Stephenville, TX , USA	USA	97,723 - 16.62% Common Stock
Sharon B. Clark De Leon, TX, USA	USA	101,157 - 17.20% Common Stock
Peter G. & Susanne B. Fagan De Leon, TX,USA	USA	60,503 - 10.29% Common Stock
Joe K. Moore Dallas, TX, USA	USA	60,532 - 10.29% Common Stock
Sam Sparger & Elizabeth Sparger De Leon, TX, USA	USA	54,502 - 9.27% Common Stock
Jerry M. McGinnis De Leon, TX, USA	USA	39,706 - 6.75% Common Stock
W. H. Smith, Jr. De Leon, TX, USA	USA	31,138 - 5.30% Common Stock
Larry J. Womack De Leon, TX, USA	USA	31,276 - 5.32% Common Stock

Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2019

(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities

None

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

Form FR Y-6
F & M Bancshares, Inc.
Fiscal Year Ending December 31, 2020

(1) Name City, State, Country	(2) Principal Occupation if other Than with Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position With Subsidiaries (include names of subsidiaries)	(3)© Title & Position with other Businessess (include names of other Businessess)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries	(4)© List names of other companies
Calvin H. Spindor Morgan Mill, TX USA	N/A	Director	Director, Chairman Farmers and Merchants Bank	N/A	N/A	None	N/A
C.M Caraway, III De Leon, TX USA	Feed Milling Owner	Director	Director Farmers and Merchants Bank	N/A	4.64%	None	N/A
W.H. Smith, Jr. De Leon, TX USA	Retired, Retailer	Director, Chairman	Director Farmers and Merchants Bank	N/A	5.30%	None	N/A
Sharon B. Clark De Leon, TX USA	Retired, Ag Business-woman	Prin. Shareholder	N/A	N/A	17.20%	None	N/A
Jason L. Clark De Leon, TX USA	Ag Business-man	Director	Director Farmers and Merchants Bank	Vice President/Owner Clark Tractor	N/A	None	Clark Tractor 40%
Sam Sparger De Leon, TX USA	Farmer	Director	Director Farmers and Merchants Bank	Owner Sparger's Farm	9.27%	None	Sparger's Farm 100%
Elizabeth Sparger De Leon, TX USA	Farmer	N/A	N/A	N/A	9.27%	None	N/A
Larry Don Womack De Leon, TX USA	Farmer	Director	Director Farmers and Merchants Bank	Owner Womack Nursery	1.12%	None	Womack Nursery 51%
Scott D. Allen Stephenville, TX USA	Attorney	Prin Shareholder/Director	Director Farmers and Merchants Bank	Shareholder/President The Allen Firm, P.C.	16.62%	None	Town Creek village Corporation 100% Allen, Allen & Watson 33.00% Bruner, Bruner & Allen 33.00% SNH LLC 33.00% Stephenville Rentals, LLC 100% Duffau Management, (GP) Inc. 100% Cowboy Country Title, LLC 25%
Peter G. Fagan De Leon, TX USA	Medical Doctor	Director	Director Farmers and Merchants Bank	Treasurer Tejas FSF, Inc.	10.29%	None	Tejas Post Oak Ventures, Ltd 49%
Susanne B. Fagan De Leon, TX USA		N/A	N/A	N/A	10.29%	None	N/A
Joe K. Moore Dallas, TX USA	Retired, Consultant	Prin Shareholder	N/A	N/A	10.29%	None	N/A
Edward O. Holt Dublin, TX USA	N/A	Vice President	Executive Vice President Farmers and Merchants Bank	N/A	N/A	None	N/A
Joyce M. Clark De Leon, TX, USA	N/A	Assistant Secretary/Treasurer	Vice President Farmers and Merchants Bank	N/A	N/A	None	N/A
Joe Bob Huddleston Eastland, TX, USA	N/A	Director/President/CEO	Director/President and CEO Farmers and Merchants Bank	N/A	0.31%	None	N/A