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, Will Lucas
Name of the Holding Company Director and Official

President/CEO/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.

Will Lucas
Signature of Holding Company Director and Official

3/22/2021
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

Shelby Bancshares, Inc.
Legal Title of Holding Company

P.O. Box 1806
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Center	TX	75935

111 Selma Street
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Tony McGowen	CPA

936-634-6621
Area Code / Phone Number / Extension

936-634-8183
Area Code / FAX Number

tmcgowen@axleyrode.com
E-mail Address

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

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

SHELBY BANCSHARES, INC.
CENTER, TEXAS
DOMESTIC HOLDING COMPANY
ANNUAL REPORT F.R.Y-6

Item 1: Annual Report to Shareholders

See attached copy of the annual report of Shelby Bancshares, Inc. and Subsidiary.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

SHELBY BANCSHARES, INC. AND SUBSIDIARY
Center, Texas

December 31, 2020 and 2019

C O N T E N T S

AXLEY & RODE LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Shelby Bancshares, Inc. and Subsidiary
Center, Texas

We have audited the accompanying consolidated financial statements of Shelby Bancshares, Inc. and Subsidiary (an S corporation), which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, 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 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.

Auditors' 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 auditors' 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 consolidated financial position of Shelby Bancshares, Inc. and Subsidiary as of December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
March 22, 2021

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash on hand	$ 4 260 037	$ 3 971 168
Interest-bearing demand deposits in other banks	29 063 385	29 789 988
TOTAL CASH AND CASH EQUIVALENTS	33 323 422	33 761 156
Investment securities available for sale	40 790 897	31 324 360
Loans receivable, net	245 428 217	219 598 028
Real estate and other assets acquired in settlement of loans	-	7 368
Property and equipment	8 499 260	8 105 208
Federal Home Loan Bank stock	1 643 100	1 619 300
Accrued interest receivable	2 012 089	1 745 051
Cash value life insurance	5 770 941	5 633 160
Goodwill	137 500	137 500
Intangible assets, net	124 323	131 198
Other assets	356 985	663 772
TOTAL ASSETS	$ 338 086 734	$ 302 726 101
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing deposits	$ 63 044 596	$ 47 908 794
Interest-bearing deposit	210 455 922	193 934 542
TOTAL DEPOSITS	273 500 518	241 843 336
Advances from borrowers for taxes and insurance	658 103	570 380
Accrued interest payable	85 980	129 567
Distributions payable	1 430 097	662 048
Federal Home Loan Bank advances	20 148 757	17 867 557
Other liabilities	609 322	578 740
TOTAL LIABILITIES	296 432 777	261 651 628
Stockholders' Equity:		
Capital Stock: $1 par value, 500,000 shares authorized, 88,006 (2020) and 91,317 (2019) shares issued and outstanding, respectively	88 006	91 317
Additional paid-in capital	7 588 030	9 313 105
Contra equity	(93 275)	-
Retained earnings	33 191 897	31 483 137
Accumulated other comprehensive income	879 299	186 914
TOTAL STOCKHOLDERS' EQUITY	41 653 957	41 074 473
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 338 086 734	$ 302 726 101

The accompanying notes are an integral part of these statements.

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2020 and 2019

	2020	2019
Interest Income:		
Loans Receivable:		
First mortgage loans	$ 9 079 869	$ 8 804 074
Consumer and other loans	4 553 243	4 293 336
Mortgage-backed and related securities	246 493	169 877
U. S. Government agencies	139 663	307 476
Municipal bonds	248 839	197 082
Other interest-earning assets	122 441	573 288
TOTAL INTEREST INCOME	14 390 548	14 345 133
Interest Expense:		
Deposits	1 680 404	2 046 374
Federal Home Loan Bank advances	640 404	630 323
TOTAL INTEREST EXPENSE	2 320 808	2 676 697
NET INTEREST INCOME	12 069 740	11 668 436
Provision for losses on loans	96 435	-
NET INTEREST INCOME AFTER PROVISION FOR LOSSES ON LOANS	11 973 305	11 668 436
Noninterest Income:		
Service charges and overdraft fees on deposit accounts	782 740	1 042 036
Commission income	207 180	168 236
Loan late charges	119 226	128 708
ATM income	581 256	557 452
Increase in cash value of life insurance	137 782	131 489
Gain on sale of loans held for sale	514 840	168 561
Realized gain (loss) on sale of available for sale securities	95 992	88 767
Other	593 788	442 012
TOTAL NONINTEREST INCOME	3 032 804	2 727 261
Noninterest Expense:		
General and Administrative:		
Compensation and benefits	5 552 913	5 195 056
Occupancy and equipment	1 707 043	1 649 309
Advertising	224 074	263 696
Computer service	1 035 979	899 326
Director's fees	368 400	377 800
Office supplies	228 493	207 449
(Gain)/loss on sale of real estate and other assets acquired in settlement of loans	8 969	(21 821)
Other	1 526 083	1 642 038
NONINTEREST EXPENSE	10 651 954	10 212 853
NET INCOME	$ 4 354 155	$ 4 182 844

The accompanying notes are an integral part of these statements.

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019

	2020	2019
NET INCOME	$ 4 354 155	$ 4 182 844
Other Comprehensive Income, Net of Tax:		
Unrealized Gains (Losses) on Securities:		
Unrealized holding gains (losses) arising during the period	695 188	867 872
Less reclassification adjustment for gains (losses) realized on sale of available for sale securities	(2 803)	(181 258)
OTHER COMPREHENSIVE INCOME (LOSS)	692 385	686 614
COMPREHENSIVE INCOME	$ 5 046 540	$ 4 869 458

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

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020 and 2019

	SHARES	CAPITAL STOCK	ADDITIONAL PAID-IN CAPITAL	CONTRA EQUITY	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
Balance December 31, 2018	93 257	$ 93 257	$ 10 281 165	$ -	$ 29 151 368	$ (499 700)	$ 39 026 090
Net income	-	-	-	-	4 182 844	-	4 182 844
Other comprehensive loss	-	-	-	-	-	686 614	686 614
Repurchase of capital stock	(1 940)	(1 940)	(968 060)	-	-	-	(970 000)
Distributions	-	-	-	-	(1 851 075)	-	(1 851 075)
Balance December 31, 2019	91 317	91 317	9 313 105	-	31 483 137	186 914	41 074 473
Net income	-	-	-	-	4 354 155	-	4 354 155
Other comprehensive income	-	-	-	-	-	692 385	692 385
Repurchase of capital stock	(3 516)	(3 516)	(1 818 145)	-	-	-	(1 821 661)
Restricted stock issue	205	205	93 070	(93 275)	-	-	-
Distributions	-	-	-	-	(2 645 395)	-	(2 645 395)
Balance December 31, 2020	88 006	$ 88 006	$ 7 588 030	$ (93 275)	$ 33 191 897	$ 879 299	$ 41 653 957

The accompanying notes are an integral part of these statements.

SHELBY 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	$	4 354 155	$	4 182 844
Noncash Charges (Credits) to Net Income:				
Depreciation of property and equipment		772 460		774 243
Amortization of deferred loan fees and costs (net)		139 575		121 932
Amortization of intangibles		6 875		6 302
Amortization of discount of loans purchased		(36)		(3 000)
(Gain) loss on the sale of property and equipment		(21 453)		(27 330)
Gain on sale of loans		(514 840)		(168 561)
(Gain) loss on sale of real estate and other assets acquired in settlement of loans		8 926		(21 821)
Realized (gain) loss on the sale of available-for-sale securities		(95 992)		(88 767)
Amortization of premiums on investment securities		154 693		106 380
Accretion of discount on investment securities		(1 090)		(5 587)
Increase in cash value life insurance		(137 781)		(131 490)
Provision for losses on loans		96 435		-
Stock dividends received (Federal Home Loan Bank stock)		(23 800)		(45 400)
Proceeds from sale of single family residential loans held for sale		15 555 900		5 797 601
Origination of single family residential loans held for sale		(15 041 060)		(5 629 040)
Change in Operating Assets and Liabilities:				
Decrease (increase) in accrued interest receivable		(267 038)		(145 305)
Decrease (increase) in other assets		306 787		(320 307)
Increase (decrease) in accrued interest payable		(43 587)		10 088
Increase (decrease) in other liabilities		30 582		(26 713)
NET CASH PROVIDED BY OPERATING ACTIVITIES		5 279 711		4 386 069
Cash Flows from Investing Activities:				
Purchase of securities available for sale		(18 874 575)		(17 959 488)
Net increase in loans receivable funded		(26 080 071)		(2 501 605)
Purchases of property and equipment		(1 199 219)		(878 781)
Proceeds from the sale of property and equipment		54 160		66 737
Proceeds from calls/maturities of investments available for sale		9 006 123		17 265 071
Principal received on mortgage-backed securities available for sale		1 036 689		352 234
Proceeds from sale of real estate and other assets acquired in settlement of loans		12 350		475 122
Purchase of cash value life insurance		-		(2 000 000)
NET CASH USED BY INVESTING ACTIVITIES		(36 044 543)		(5 180 710)
Cash Flows from Financing Activities:				
Net increase (decrease) in deposits		31 657 182		7 248 242
Payments on Federal Home Loan Bank advances		(2 718 800)		(2 709 170)
Federal Home Loan Bank advances		5 000 000		-
Repurchase and retirement of holding company stock		(1 821 661)		(970 000)
Cash distributions paid		(1 877 346)		(1 748 569)
Net increase (decrease) in advances from borrowers for taxes and insurance		87 723		173 149
NET CASH PROVIDED BY FINANCING ACTIVITIES		30 327 098		1 993 652
NET DECREASE IN CASH AND CASH EQUIVALENTS		(437 734)		(1 199 011)
Cash and cash equivalents at beginning of year		33 761 156		32 562 145
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	33 323 422	$	33 761 156
Supplementary Information:				
Cash Paid During the Year for:				
Interest	$	2 364 395	$	2 666 609
Supplementary Schedule of Noncash Investing and Financing Activities:				
Distributions payable	$	1 430 097	$	662 048
Increase (decrease) in unrealized gain on securities available for sale	$	692 385	$	686 614
Loans transferred to real estate and other assets acquired in settlement of loans (net)	$	13 908	$	369 963

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Shelby Bancshares, Inc. (the "Company") was created in 2000 as a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary. The Company owns 100% of Shelby Savings Bank, SSB (the "Savings Bank"). The Savings Bank owns 100% of Shelby Insurance Agency, Inc. (the "Agency").

The Savings Bank provides a variety of financial services to individuals and corporate customers through its five full service locations in Center (2), San Augustine, Hemphill, and Palestine, Texas and a loan production office in Lindale, Texas. The Saving Bank's primary deposit products are interest-bearing checking accounts and certificates of deposit. Its primary lending products are commercial, consumer, single family residential and poultry farm loans.

Shelby Insurance Agency, Inc. is an insurance agency selling various types of insurance policies and is subject to regulation by the Texas Department of Insurance.

The accounting and reporting polices of the Company and its subsidiaries conform significantly to accounting principles generally accepted in the United States of America (GAAP) and practices within the banking industry. The following is a description of the more significant of those policies.

Principles of Consolidation: The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and conform with practices within the banking industry. The consolidated financial statements include the accounts of Shelby Bancshares, Inc. and its wholly-owned subsidiaries Shelby Savings Bank, SSB and Shelby Insurance Agency, Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates: The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the fair value of securities available for sale, the allowance for losses on loans and the valuation of real estate and other assets acquired in settlement of loans. In connection with the determination of the allowances for losses on loans and valuation of real estate and other assets acquired in settlement of loans, management may obtain independent appraisals.

A majority of the Savings Bank's loan portfolio consists of loans in the above mentioned locations (see nature of operations). The regional economy depends heavily on the poultry and timber producing industries. Accordingly, the ultimate collectability of a substantial portion of the Savings Bank's loan portfolio and the recovery of a substantial portion of the carrying amount of real estate and other assets acquired in settlement of loans (if any) are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans and real estate and other assets acquired in settlement of loans, future additions to the allowances may be necessary based on changes in local economic conditions, other risk characteristics applicable to portfolio segments or borrowers' circumstances. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Savings Bank's allowances for losses on loans and real estate and other assets acquired in settlement of loans. Such agencies may require the Savings Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

As a result of the changes inherent in the estimation process, management's estimate of the fair value of securities available for sale, the allowance for losses on loans and the valuation of real estate and other assets acquired in settlement of loans may change in the near term.

Cash and Cash Equivalents: Cash and cash equivalents, for purposes of the statement of cash flows, include cash and due from banks, Federal funds sold and certain investment securities and interest bearing deposits in banks with original maturities of three months or less.

Investment Securities: Debt securities classified as held-to-maturity are those debt securities the Savings Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives. As of December 31, 2020 and 2019, the Savings Bank had no held-to-maturity securities.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Debt securities classified as available-for-sale are those debt securities that the Savings Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Savings Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with 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.

Dividend 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 income.

Gains and losses realized on sales of investments securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income. Additionally, declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things, (i) the length of time and extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, (iii) that the Savings Bank does not intend to sell these securities, and (iv) it is more likely than not that the Savings Bank will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

Restricted stock consists of stock from the Federal Home Loan Bank, which is restricted as to its marketability. Because no ready market exists for this investment and there is no quoted market value, the Savings Bank's investment in this stock is carried at cost. The Bank is required to maintain certain stock balances in the Federal Home Loan Bank.

Loans: Loans are stated at the amount of unpaid principal, reduced by the allowance for loan losses, net deferred loan origination fees, unearned discounts on loans purchased, deferred gains and market rate discounts on sales of real estate owned acquired in settlement of loans and the undisbursed portion of construction loans. The major loan portfolio segments include residential real estate, poultry related, commercial real estate, automobiles and other vehicles, equipment, stocks and bonds, bank deposit secured, cattle and livestock, unsecured, and other. Within these categories, loans are secured most significantly by poultry, but are also secured by real estate account receivables, inventory, income producing commercial properties, personal properties such as vehicles and boats and other items of property, plant and equipment. In 2020, the Bank issued Payroll Protection Plan (PPP) loans under the Cares Act. These loans are unsecured and guaranteed by the Small Business Administration.

The Savings Bank maintains certain recently originated loans in a separate category until all documents are procured or other outstanding items are cleared up. These loans are then recorded in the appropriate collateral loan category with interest being accrued from the loan origination date. At December 31, 2020 and 2019, the Savings Bank had approximately $2,011,000 and $78,000 of these loans and they are included with Other Loans in Note 3.

Interest on loans is calculated by using the simple interest method on the daily balances of the principal amounts outstanding. When principal and interest is delinquent for ninety days or more, the Savings Bank evaluates the loans for nonaccrual status. However, any loan may be placed on nonaccrual status when collection of the principal or interest is in doubt.

After a loan is placed on nonaccrual status, all interest accrued but not collected 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. An allowance is established for uncollectible interest at the time a loan is placed on nonaccrual status. The allowance is established by a charge to interest income equal to all interest previously accrued and uncollected, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgement, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status. The balances in this allowance at the year ends presented were $7,356 and $8,381, respectively, and are shown on the consolidated statements of financial condition netted against accrued interest receivable.

Loan fees are accounted for in accordance with Financial Accounting Standards Board Codification Section 310.20 *Non-Refundable Fees and Costs*. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using a method that approximates the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Savings Bank's historical prepayment experience (or on a loan by loan basis). Commitment fees and costs relating to commitments that the likelihood of exercise is remote are recognized over the commitment period on a straight-line basis. If the commitment is subsequently exercised during the commitment period, the remaining unamortized commitment fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 uncollectability 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) 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 Savings Bank 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 that significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and borrower, including the length of 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 owned.

The Savings Bank's allowance for loan losses has two basic components: the formula allowance and the pooled 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.

A partial charge-off is used for impaired loans. When impairment is identified, a partial charge-off is established based on the Savings Bank'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 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 Savings Bank does not separately evaluate individual consumer and residential loans for impairment.

The formula allowance component is used for estimating the loss on internally risk rated loans exclusive of those identified as impaired. The loans meeting the Savings Bank's internal criteria for classification, such as special mention, substandard, doubtful and loss, as well as specifically identified impaired loans, are segregated from performing loans within the portfolio. These internally classified loans are then grouped by loan type (commercial, real estate, installment, overdrafts, and consumer and other). Each loan type is assigned an allowance factor based on management's estimate of the associated risk, complexity, and size of the individual loans within the particular loan category. Classified loans are assigned higher allowance factor than non-classified loans due to management's concerns regarding collectability or management's knowledge of particular elements surrounding the borrower. Allowance factors increase with the worsening of the internal risk rating.

The pooled formula component is used to estimate the losses inherent in the pools 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, concentration of credit, results of the loan review system and the effect of external factors (i.e. competition and regulatory requirements).

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 Savings Bank to make additions to the allowance for loan losses based on their judgements of collectability based on information available to them at the time of their examination.

Management considers loans impaired when, based on current information, it is probable that the Savings Bank will not collect all principal and interest payments according to contractual terms. Loans are evaluated for impairment in accordance with the Savings Bank's portfolio monitoring and ongoing risk assessment procedures. Management considers the financial condition of the borrower, cash flow of the borrower, payment status of the loan, and the value of the collateral, if any, securing the loan. Generally, impaired loans do not include large groups of smaller balance homogenous loans such as residential real estate and consumer type loans which are evaluated collectively for impairment. The impairment of a loan is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or the fair value of the collateral if repayment is expected to be provided solely by the collateral. In appropriate circumstances, interest income on impaired loans may be recognized on a cash basis.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Savings Bank'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 Savings Bank'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 normally charged-off no later than 120 days after becoming delinquent, (b) consumer loans to borrowers who subsequently declare bankruptcy, where the Savings Bank is an unsecured creditor, are charged-off within 60 days of receipt of notification from the bankruptcy court, (c) fraudulent loans are charged-off within 90 days of discovery and (d) death of 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 recognized loss.

Loans Held for Sale: Loans held for sale generally consist of single family residential loans and are designated and approved for sale prior to funding the loan. Funds from the sale of these loans are considered as operating for purposes of the Statement of Cash Flows. Periodically, the Savings Bank will sell a participating interest in loans that are secured by other than single family residences. Proceeds from the sale of these participating interests are not considered as operating for cash flow purposes as these loans are generally not acquired/made for the purposes of resale.

All loans held for sale are carried at their lower of cost or market value in compliance with the applicable accounting standards. Market value is determined on a loan by loan basis. Given that the turnaround time between funding and sale of these loans is so short, market value is considered to approximate book value by the Savings Bank.

The Savings Bank also services the loans it sells. See the related accounting policy for loan servicing and Note 4 for further information regarding the loan servicing.

Loan Servicing: The Savings Bank services some mortgage loans that it has originated and sold. Such loan balances are not included in the accompanying consolidated Statements of Condition. Mortgage servicing rights on loans originated by the Bank, and on those purchased, are capitalized as assets at the estimated fair value on the date of origination or purchase. Management periodically evaluates mortgage servicing rights for impairment. Mortgage servicing rights are considered to be impaired when the carrying value exceeds the estimated fair value at the date of evaluation. Mortgage servicing rights are amortized against surviving income over the lives of the respective loans.

Real Estate and Other Assets Acquired in Settlement of Loans: Real estate and other assets acquired in settlement of loans are initially recorded at fair value on the date of acquisition less estimated costs to sell. Adjustments made to reflect declines, if any, in fair values below the recorded amounts at the date of foreclosure are charged to the allowance for losses on loans. Declines in value subsequent to repossession are charged to expense which is included in other noninterest expense on the consolidated statements of income. Costs of holding real estate and other assets acquired in settlement of loans are reflected in income currently. Gains on sales of such assets are taken into income based on the buyer's initial and continuing investment in the property and reflected as part of other income on the consolidated statements of income. Any income deferred from these sales is recognized on the installment method. Other assets acquired in settlement of loans consist primarily of reacquired personal property.

The Savings Bank expects to dispose of assets acquired in settlement of loans in the next year. There were no residential real estate included in real estate and other assets acquired in settlement of loans at December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, investments in mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process totaled $-0- and $-0- respectively.

Insignificant amounts of other assets acquired in settlement of loans were repossessed during 2020 and 2019.

Property and Equipment: Savings Bank property and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using the straight-line method based on estimated useful lives of the assets. 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 statements of income. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

Goodwill and Intangible Assets: Under the acquisition method of accounting, the net assets of entities acquired are recorded at their estimated fair value at date of acquisition. The excess of consideration paid over the fair value of the net assets acquired is recorded as goodwill. Other intangible assets with finite useful lives are amortized over their estimated useful lives.

Intangible assets which consists of customer relationship value will be amortized over 20 years using the straight-line. The intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Company conducts an annual impairment test of goodwill based on the fair value of the applicable reporting unit. If the reporting unit's fair value is greater than its carrying amount, goodwill is not impaired and no loss is recognized. If the implied fair value of the reporting unit's goodwill is less than its recorded amount, goodwill is considered impaired and the Company must recognize a loss.

Cash Value of Life Insurance: Cash value of Life Insurance is carried at the aggregate cash value of the life insurance policies owned where the Savings Bank is named beneficiary. Appreciation in value of these insurance policies is classified as noninterest income.

Off-Balance Sheet Financial Instruments: In the ordinary course of business the Savings Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit and lines of credit. Such financial instruments are recorded in the financial statements when they are funded and at that time became subject to management's evaluation related to collectability.

Advertising: Advertising costs are expensed when incurred.

Income Taxes: The Company, with the consent of its stockholders, elected under the Internal Revenue Code of 1986 to be a subchapter S Corporation. Under the provisions for a subchapter S Corporation, the Company does not pay corporate income taxes on its income. In lieu of corporate income taxes, the stockholders are taxed on their proportionate share of the Company's income. Tax returns for the Company include the amounts of the Savings Bank and the Company combined.

Additionally, the Company is required to pay its tax to the State of Texas based on gross margin (as defined). This tax has been deemed an income tax by the Financial Accounting Standards Board and consequently requires accrual in the year the taxable gross margin is earned. For the years presented, the Consolidated Statements of Income reflects approximately $30,000 and $53,000 as state income tax expense included in "Other Noninterest Expenses". The state income tax expense amounts were not considered significant to report separately as income tax expense on the consolidated statements of income.

Stock Based Compensation: The Company issues restricted stock on a periodic basis. Stock based compensation cost is measured at the grant date based on the fair value of the award and recognized as expense over the vesting period of the stock award using the straight-line method.

Noninterest Income: The Savings Bank recognizes revenue when the performance obligations related to the transfer of goods and services under the terms of the contract are satisfied. Some obligations are satisfied at a point in time while others are satisfied over a period of timer. Revenue is recognized as the amount of consideration to which the Savings Bank expects to be entitled to in exchange for transferring goods or services to a customer. When consideration includes a variable component, the amount of consideration attributable to variability is included in the transaction price only to the extent it is probable that significant revenue recognized will not be reversed when uncertainty associated with the variable consideration is subsequently resolved. Generally, the variability relating to the consideration is explicitly stated in the contracts, but may also arise from the Savings Bank’s customer business practices, for example, waiving certain fees related to customer's deposit accounts such as NSF fees. The Savings Bank's contracts generally do not contain terms that require significant judgement to determine the variability impacting the transaction price.

Revenue is segregated based on the nature of product and services offered as part of contractual arrangements. Revenue from contracts with customers is broadly segregated as follows:

Service charges on deposit accounts and loan late charges includes fees and other charges the Savings Bank receives to provide various services, including but not limited to, maintaining an account with a customer, providing overdraft services, wire transfer, transferring funds, and accepting and executing stop-payment orders. The consideration includes both fixed (e.g. account maintenance fee) and transaction fees (e.g. wire-transfer fee). The fixed fee is recognized over a period of time while the transaction fee is recognized when specific service (e.g. execution of wire-transfer) is rendered to the customer. The Savings Bank may, from time to time waive certain fees (e.g. NSF fee) for customers but generally does not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Waiver of fees reduces the revenue in the period the waiver is granted to the customer. Fees also include interchange

Other service charges and fees include, but not limited to, interchange fees earned on debit cards and credit cards. All other fees (e.g. annual fees) and interest income are recognized in accordance with ASC 310. The Savings Bank recognized interchange fees for services performed related to authorization and settlement of a cardholder's transaction with a merchant. Revenue is recognized when cardholder's transaction is approved and settle. The revenue may be constrained due to inherent uncertainty related to cardholder's right to return goods and services but as the uncertainty is resolved within a short period of time (generally within 30 days) interchange revenue is reduced by the amount of returns in the period the return is made by the customer.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Insurance commissions includes agency commissions that are recognized when the Agency sells insurance policies to customers. The Agency is also entitled to renewal commissions and, is some cases, profit sharing which are recognized in subsequent periods. The initial commission is recognized when the insurance policy is sold to a customer. Renewal commission is variable consideration and is recognized in subsequent periods when the uncertainty around the variable consideration is subsequently resolved (i.e. when customer renews the policy). Profit sharing is also variable consideration that is not recognized until the variability surrounding realization of revenue is resolved (i.e. The Agency has reached a minimum volume of sales). Another source of variability is the ability of the policy holder to cancel the policy anytime. In such case, the Agency may be required, under the terms of the contract, to return part of the commission received.

Other noninterest income includes a variety of other revenue streams. Revenue is recognized when, or as, a performance obligation is satisfied. Inherent variability in the transaction price is not recognized until the uncertainty affecting the variability is resolved.

Control is transferred to a customer either at a point in time or over time. A performance obligation is deemed satisfied when the control over goods or services is transferred to the customer. To determine when control is transferred at a point in time, the Savings Bank considers indicators, including but not limited to the right to payment for the asset, transfer of significant risk and rewards of ownership of the asset and acceptance of the asset by the customer. When control is transferred over a period of time, for different performance obligations, either the input or output method is used to determine the progress. The measure of progress used to assess completion of the performance obligations varies between performance obligations and may be based on time throughout the period of service or on the value of goods and services transferred to the customer. As each distinct service or activity is performed, the Savings Bank transfers control to the customer based on the services performed as the customer simultaneously receives the benefits of those services. This timing of revenue recognition aligns with the resolution of any uncertainty related to variable consideration. Costs to obtain a revenue producing contract are expensed when incurred as a practical expedient as the contractual period for majority of contracts is one year or less.

Fair Values of Financial Instruments: The Savings Bank 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 apply complex hedge accounting provisions. This guidance clarifies the 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 established 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 asset or liabilities (Level 2 measurements and lowest priority to unobservable inputs (Level 3 measurements).

Comprehensive Income: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are included in comprehensive income.

Uncertain Tax Positions: FASB Codification section 740 requires recognition, measurement and disclosure of uncertain tax positions. The Company believes that is has no significant uncertain tax provisions that qualify for either recognition or disclosure in the consolidated financial statements. The Company is generally no longer subject to Federal tax examinations for years before 2017.

Reclassifications: Certain reclassifications have been made to the prior period's financial statements in order to conform to the classifications used for the current year. These reclassifications had no effect on the capital, net income or net cash flows of the Savings Bank.

Subsequent Events: Management has evaluated subsequent events through March 22, 2021, the date the financial statements were available to be issued.

Accounting Standards Adopted in 2020: In March 2017, the FASB issued ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities*. This ASU requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. Under current U.S. GAAP, premiums on callable debt securities are generally amortized over the contractual life of the security. The standard took effect for nonpublic entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Adoption of ASU 2017-08, which was effective for the Company on January 1, 2020, did not have a material impact on the Company's financial statements.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Authoritative Accounting Guidance: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* as amended in July 2018 by ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842)*, *Targeted Improvements*, that replace existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the consolidated balance sheets. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of income. These ASU's are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2021. The Company is currently evaluating the impact of the provisions of these ASUs and anticipates recognition of additional assets and corresponding liabilities relating to these leases on the consolidated balance sheets, but does not expect the adjustment to be material assuming no changes in lease activity.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of this standard would have on the consolidated financial statements and related disclosures.

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

ASU 2019-01, *Leases (Topic 842): Codification Improvements*, addresses several issues regarding the application of FASB ASC 842, *Leases*. Under the extant guidance in FASB ASC 840, *Leases*, lessors that are financial institutions or captive finance companies may determine the fair value of any underlying leased asset at cost, adjusted for any volume or trade discounts, rather than fair value as defined in FASB ASC 820, *Fair Value Measurement*. The amendments in ASU 2019-01 allow these lessors to continue using this same method to determine the fair value of an underlying leased asset under FASB ASC 842, unless a significant amount of time has occurred between the commencement of the lease and the acquisition of the underlying asset. In addition, ASU 2019-01 clarifies that lessors within the scope of FASB ASC 942, *Financial Services - Depository and Lending*, must present principal payment received from sales-type and direct financing leases as investing activities in the consolidated statement of cash flows, rather than as operating activities as required for all other lessors. The ASU also clarifies that all entities that are lessors or lessees are exempted from making certain transition disclosures in interim periods after the date of adoption. For all entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2021 and interim periods beginning after December 15, 2022. Early adoption is allowed. At this time, the Company has not determined the impact of the Update on its financial statements.

In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors*. The ASU creates a lessor practical expedient applicable to sales and other similar taxes incurred in connection with a lease, and simplifies lessor accounting for lessor costs paid by the lessee. The ASU permits lessors, as an entity-wide accounting policy election, to present sales and other similar taxes that arise from specific leasing transaction on a net basis. The guidance requires lessors to present lessor costs paid by the lessee directly to a third party on a net basis - regardless of whether the lessor knows, can determine or can reliably estimate those costs. The guidance requires lessors to present lessor costs paid by the lessee to the lessor (e.g. though direct reimbursement or as part of the fixed lease payments) on a gross basis. The effective date is the same as the effective date of ASU 2016-02. At this time the Company is has not determined the impact of the update on its financial statements.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments - Credit Loss (Topic 826): Targeted Transition Relief*. The ASU provides entities that have certain instruments within the scope of ASC Subtopic 326-20 with an option to irrevocably elect fair value option applied on instrument-by-instrument basis. The fair value option does not apply to held-to-maturity securities. The effective date is the same as the effective date of ASU 2016-13. The Company is currently evaluating the impact of the adoption of this standard would have on the financial statements and related disclosures.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In November 2019, the FASB issued ASU 2019-11, *Financial Instruments - Credit Losses (Topic 326): Codification Improvements to Topic 326.* This ASU clarifies or addresses the stakeholder's specific issues related to ASU 2016-13 as described below:

- Clarifies that the allowance for purchased financial assets with credit deterioration should include expected recoveries. If a method other than a discounted cash flow method is used to calculate allowance, expected recoveries should not result in an acceleration of the noncredit discount.
- Provides transition relief by permitting entities an accounting policy election to adjust the effective interest rate on existing TDRs using prepayment assumptions on the date of adoption of Topic 326 rather than the prepayment assumptions in effect immediately before the restructuring.
- Extends the disclosure relief for accrued interest receivable balances to additional relevant disclosures involving amortized cost basis.
- Clarifies that an entity should assess whether it reasonably expects the borrower will be able to continually replenish collateral securing the financial asset to apply the practical expedient related to collateral maintenance provision.

The effective date is the same as the effective date of ASU 2016-13. The Company is currently evaluating the impact of the adoption of this standard would have on the financial statements and related disclosures.

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

2. INVESTMENT SECURITIES

The amortized costs and approximate fair values of investment securities are summarized as follows (all classified available for sale):

	AMORTIZED COST	GROSS UNREALIZED GAIN	GROSS UNREALIZED LOSSES	FAIR VALUES
December 31, 2020:				
U.S. Agency Securities	$ 4 011 107	$ 107 395	$ -	$ 4 118 502
State and Municipal	12 924 679	532 853	(32 934)	13 424 598
Mortgage-backed Securities	22 975 813	340 270	(68 286)	23 247 797
	$ 39 911 599	$ 980 518	$ (101 220)	$ 40 790 897
December 31, 2019:				
U.S. Agency Securities	$ 11 584 994	$ 60 177	$ (14 850)	$ 11 630 321
State and Municipal	6 449 120	175 468	(45 536)	6 579 052
Mortgage-backed Securities	13 103 332	35 018	(23 363)	13 114 987
	$ 31 137 446	$ 270 663	$ (83 749)	$ 31 324 360

The maturities of investment securities at December 31, 2020 were as follows:

	SECURITIES AVAILABLE FOR SALE	
	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 500 000	$ 503 140
Due from one to five years	4 011 107	4 118 502
Due from six to ten years	2 734 982	2 933 455
Over ten years	9 689 697	9 988 003
Mortgaged-backed securities	22 975 813	23 247 797
	$ 39 911 599	$ 40 790 897

Securities with carrying amounts of approximately $11,155,000 and $9,633,000 were pledged to secure funds for public purposes at December 31, 2020 and 2019, respectively.

Proceeds from sales, maturities and calls of securities during the years ended December 31, 2020 and 2019 totaled approximately $9,006,000 and $17,265,000 resulting in realized gains/(losses) on sales of available for securities of approximately $96,000 and $89,000, respectively. Realized gains/(losses) on sale of available for sale securities are included in the Noninterest Income on the Consolidated Statements of Income.

2. INVESTMENT SECURITIES - CONTINUED

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

DESCRIPTION OF SECURITIES	LESS THAN 12 MONTHS FAIR VALUE	LESS THAN 12 MONTHS UNREALIZED LOSSES	12 MONTHS OR GREATER FAIR VALUE	12 MONTHS OR GREATER UNREALIZED LOSSES	TOTAL FAIR VALUE	TOTAL UNREALIZED LOSSES
December 31, 2020						
U.S. Agency securities	$ -	$ -	$ -	$ -	$ -	$ -
State and municipal	$ 2 022 330	$ 32 934	$ -	$ -	$ 2 022 330	$ 32 934
Mortgage-backed securities	$ 12 396 585	$ 68 286	$ -	$ -	$ 12 396 585	$ 68 286
December 31, 2019						
U.S. Agency securities	$ -	$ -	$ 4 023 290	$ 14 850	$ 4 023 290	$ 14 850
State and municipal	$ 1 515 280	$ 45 536	$ -	$ -	$ 1 515 280	$ 45 536
Mortgage-backed securities	$ 6 355 880	$ 23 363	$ -	$ -	$ 6 355 880	$ 23 363

Management evaluates securities for other-than-temporary impairment on a periodic basis. 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 Savings Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2020 and 2019, the debt and equity securities with unrealized losses have depreciated .70% and 0.70% from the Savings Bank's amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are guaranteed by the federal government or its agencies, whether downgrades by rating agencies have occurred, and the results of reviews of the issuer's financial condition. Management has the ability to hold debt and equity securities until maturity, or for the foreseeable future if classified as available-for-sale and as a result no declines are deemed to be other-than-temporary.

3. LOANS RECEIVABLE

The Savings Bank's goal is to mitigate risk 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 on 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, the real estate loan portfolio (commercial and residential) and the poultry loan portfolio constituted 37.63% and 30.16%, respectively, of the total loan portfolio. The real estate loans can be broken down further into the following categories: 21.14% residential real estate and 16.49% commercial real estate, as a percentage of total loans. Poultry loans can be broken down further into .31% residential poultry and 29.85% commercial poultry, as a percentage of total loans.

As of December 31, 2019, the real estate loan portfolio (commercial and residential) and the poultry loan portfolio constituted 42.62% and 31.12%, respectively, of the total loan portfolio. The real estate loans can be broken down further into the following categories: 22.16% residential real estate and 20.46% commercial real estate, as a percentage of total loans. Poultry loans can be broken down further into .34% residential poultry and 30.79% commercial poultry, as a percentage of total loans.

The Savings Bank's construction and land development loans are secured by real property where the loan funds will be used to acquire land and to construct or improve appropriately zoned real property for the creation of income producing or owner occupied commercial properties. Borrowers are generally required to put equity into the project at levels determined by the loan committee and usually are underwritten with a maximum term of 24 months.

Commercial real estate loans are secured by improved real property which is generating income in the normal course of business. Debt service coverage, assuming stabilized occupancy, must be satisfied to support a permanent loan. The debt service coverage ratio is ordinarily at 1.20 to 1.00. These loans are generally underwritten with a term not greater than 20 years or the remaining useful life of the property, whichever is lower.

Residential real estate loans are secured by improved real property of the borrower and are underwritten with terms up to 30 years.

The Savings Bank also makes commercial and industrial loans for a variety of purposes, which include working capital, equipment and accounts receivable financing. Loans in this category generally carry a variable of interest rate. Commercial loans meet reasonable underwriting standards, including appropriate collateral and cash flow necessary to support debt service. Personal guarantees are generally required, but may be limited.

3. LOANS RECEIVABLE - CONTINUED

Outstanding Loans:

The following table presents an aged analysis of the Savings Bank's loans by major portfolio segment as of December 31, 2020 and 2019:

2020

	0-59 DAYS PAST DUE	60-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE	CURRENT	TOTAL
Residential real estate	$ 1 444 857	$ 903 457	$ 403 515	$ 2 751 829	$ 38 288 394	$ 41 040 223
Poultry related	-	-	-	-	75 069 980	75 069 980
Commercial real estate	191 084	131 147	230 439	552 670	52 052 331	52 605 001
Automobiles and other vehicles	64 547	39 957	27 111	131 615	8 231 210	8 362 825
Equipment	457 804	-	-	457 804	9 903 021	10 360 825
Stocks and bonds	-	-	-	-	194 088	194 088
Bank deposit secured	-	7 193	-	7 193	4 926 351	4 933 544
Cattle and other livestock	4 690	-	-	4 690	11 299 652	11 304 342
Unsecured	29 661	5 802	-	35 463	26 523 888	26 559 351
Other	25 853	-	-	25 853	18 428 096	18 453 949
	$ 2 218 496	$ 1 087 556	$ 661 065	$ 3 967 117	$ 244 917 011	248 884 128
Construction loans in process						(823 714)
						248 060 414
Net deferred loan fees, premiums and discounts						(69 553)
Allowance for loan losses						(2 562 644)
						$ 245 428 217

2019

	0-59 DAYS PAST DUE	60-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE	CURRENT	TOTAL
Residential real estate	$ 1 878 888	$ 520 294	$ 273 610	$ 2 672 792	$ 48 074 881	$ 50 747 673
Poultry related	-	-	-	-	71 267 990	71 267 990
Commercial real estate	731 057	342 290	135 751	1 209 098	45 649 726	46 858 824
Automobiles and other vehicles	61 069	72 869	14 035	147 973	7 907 854	8 055 827
Equipment	124 594	120 484	21 621	266 699	10 332 105	10 598 804
Stocks and bonds	-	-	-	-	249 758	249 758
Bank deposit secured	27 951	26 797	-	54 748	5 745 702	5 800 450
Cattle and other livestock	-	-	-	-	11 129 547	11 129 547
Unsecured	146 187	109 639	28 700	284 526	15 076 878	15 361 404
Other	9 568	-	90 120	99 688	8 812 636	8 912 324
	$ 2 979 314	$ 1 192 373	$ 563 837	$ 4 735 524	$ 224 247 077	228 982 601
Construction loans in process						(7 047 798)
						221 934 803
Net deferred loan fees, premiums and discounts						188 132
Allowance for loan losses						(2 524 907)
						$ 219 598 028

Nonaccrual Loans:

The table below includes the Savings Bank's nonaccrual loans, including nonperforming trouble debt restructures and loans past due 90 days, or more at December 31, 2020 and 2019:

	NONACCRUAL LOANS DECEMBER 31,		ACCRUING PAST DUE 90 DAYS OR MORE DECEMBER 31,	
	2020	2019	2020	2019
Residential real estate	$ 215 846	$ 145 143	$ 403 515	$ 273 610
Commercial real estate	154 198	164 793	230 439	17 055
Automobiles and other vehicles	-	7 359	27 111	6 676
Equipment	90 194	168 255	-	-
Unsecured	-	-	-	28 700
Other	-	-	-	90 120
	$ 460 238	$ 485 550	$ 661 065	$ 416 161

The difference between interest income that would have been recorded under the original terms of such loans and that which was recorded is not significant to these financial statements.

3. LOANS RECEIVABLE - CONTINUED

Payroll Protection Plan Program

The Savings Bank is participating in the Paycheck Protection Program (PPP), which is a loan program that originated from the CARES Act and was subsequently expanded by the Paycheck Protection Program and Health Care Enhancement Act. The PPP is designed to provide U.S. small businesses with cash-flow assistance through loans fully guaranteed by the Small Business Administration (SBA). If the borrower meets certain criteria and uses the proceeds towards certain eligible expenses, the borrower's obligation to repay the loan can be forgiven up to the full principal amount of the loan and any accrued interest. Upon borrower forgiveness, the SBA pays the Savings Bank for the principal and accrued interest owed on the loan. If the full principal of the loan is not forgiven, the loan will operate according to the original loan terms with the 100 percent SBA guaranty remaining. As of December 31, 2020, the Savings Bank had approximately 92 PPP loans with outstanding balances totaling approximately $4,911,000. As compensation for originating the loans, the Savings Bank received lender processing fees from the SBA, which are capitalized, along with the loan origination costs, and will be amortized over the loans' contractual lives and recognized as interest income. Upon forgiveness of a loan and repayment by the SBA, any unrecognized net capitalized fees and costs related to the loan will be recognized as interest income in that period.

Credit Quality Indicators:

The Savings Bank monitors credit quality within its major portfolio segments. The results of this classification process is a factor in the risk characteristics used in establishing the allowance for loan losses. These loans are evaluated and internally classified by the Savings Bank as pass, special mention, substandard, doubtful or loss.

Satisfactory - An asset classified *satisfactory* is one that does not possess any weaknesses by management sufficient to warrant a more adverse classification.

Special Mention - A *special mention* does not warrant adverse classification yet, but possesses credit deficiencies or potential weaknesses requiring management's close attention. A Special Mention asset is one, which has the potential to weaken and have increased risk in the future. This category is a monitoring and early warning system for assets that have potential to deteriorate to substandard level. This category is also for assets that have improved from substandard classification, but have not improved sufficiently or maintained the improvement for a sufficient time period to be classified as pass.

Substandard - A *substandard* asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Doubtful - An asset classified *doubtful* has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss - Asset classified *loss* are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future. Amounts classified as loss are generally charged off to the allowance for loan losses upon such classification.

The following table presents the Saving Bank's loan classification as of December 31, 2020 and 2019 by its major loan portfolio category.

2020	SATISFACTORY	SPECIAL MENTION	SUB STANDARD	DOUBTFUL	LOSS	TOTAL
Residential real estate	$ 38 722 551	$ 524 852	$ 1 792 820	$ -	$ -	$ 41 040 223
Poultry related loans	74 029 494	-	1 040 486	-	-	75 069 980
Commercial real estate	51 976 402	179 728	448 871	-	-	52 605 001
Automobiles and other vehicles	8 198 314	36 624	127 887	-	-	8 362 825
Equipment	9 980 282	7 411	373 132	-	-	10 360 825
Stocks and bonds	194 088	-	-	-	-	194 088
Bank deposit secured loans	4 933 544	-	-	-	-	4 933 544
Cattle and other livestock	11 046 748	-	257 594	-	-	11 304 342
Unsecured	26 512 796	24 928	21 627	-	-	26 559 351
Other	18 448 803	-	5 146	-	-	18 453 949
	$ 244 043 022	$ 773 543	$ 4 067 563	$ -	$ -	$ 248 884 128

3. LOANS RECEIVABLE - CONTINUED

2019											
		SATISFACTORY		SPECIAL MENTION		SUB STANDARD		DOUBTFUL		LOSS		TOTAL
Residential real estate	$	48 157 068	$	580 945	$	2 009 660	$	-	$	-	$	50 747 673
Poultry related loans		71 267 990		-		-		-		-		71 267 990
Commercial real estate		43 300 200		2 807 351		751 273		-		-		46 858 824
Automobiles and other vehicles		7 904 904		8 343		142 580		-		-		8 055 827
Equipment		10 078 294		17 596		502 914		-		-		10 598 804
Stocks and bonds		249 758		-		-		-		-		249 758
Bank deposit secured loans		5 795 090		5 360		-		-		-		5 800 450
Cattle and other livestock		10 999 137		130 410		-		-		-		11 129 547
Unsecured		15 269 828		28 270		63 306		-		-		15 361 404
Other		8 445 846		366 790		99 688		-		-		8 912 324
	$	221 468 115	$	3 945 065	$	3 569 421	$	-	$	-	$	228 982 601

During 2020 and 2019, the Savings Bank did not purchase a participating interest in loans. The balances of all participating interest in loans purchased at December 31, 2020 and 2019 totaled approximately $1,703,000 and $3,200,000, respectively. Of these participating interests purchased approximately $1,703,000 (2020) and $1,900,000 (2019) were guaranteed by the U.S. Small Business Administration. The Savings Bank has not acquired any loans that have deteriorated credit quality.

Overdraft demand accounts included as loans, categorized as other loans in the schedule above totaled approximately $190,000 and $168,000 at December 31, 2020 and 2019.

Allowance for Loan Losses:

The tables below summarize the changes in the allowance for loan losses for 2020 and 2019 by major loan portfolio segment:

2020										
		BALANCE DECEMBER 31, 2019		LOANS CHARGED OFF (NET)		PROVISION FOR LOAN LOSSES		TRANSFERS		BALANCE DECEMBER 31, 2020
Residential real estate	$	339 375	$	31	$	(52 581)	$	-	$	286 825
Poultry related		1 285 932		-		232 642		-		1 518 574
Commercial real estate		251 844		-		(32 371)		-		219 473
Automobiles and other vehicles		96 908		(11 143)		8 752		-		94 517
Equipment		182 219		1 199		(25 472)		-		157 946
Stocks and bonds		1 638		-		(1 087)		-		551
Bank deposit secured		7 520		-		104 281		-		111 801
Cattle and other livestock		62 453		-		(8 762)		-		53 691
Unsecured		76 197		(5 965)		17 457		-		87 689
Other		111 485		(42 820)		14 397		-		83 062
Unallocated		109 336		-		(160 821)		-		(51 485)
	$	2 524 907	$	(58 698)	$	96 435	$	-	$	2 562 644

2019										
		BALANCE DECEMBER 31, 2018		LOANS CHARGED OFF (NET)		PROVISION FOR LOAN LOSSES		TRANSFERS		BALANCE DECEMBER 31, 2019
Residential real estate	$	330 095	$	(2 075)	$	11 355	$	-	$	339 375
Poultry related		1 312 712		(175 962)		149 182		-		1 285 932
Commercial real estate		239 877		-		11 967		-		251 844
Automobiles and other vehicles		81 484		16 008		(584)		-		96 908
Equipment		286 902		(78 501)		(26 182)		-		182 219
Stocks and bonds		1 968		-		(330)		-		1 638
Bank deposit secured		-		-		7 520		-		7 520
Cattle and other livestock		87 037		-		(24 584)		-		62 453
Unsecured		87 157		88 520		(99 480)		-		76 197
Other		140 905		(63 674)		34 254		-		111 485
Unallocated		172 454		-		(63 118)		-		109 336
	$	2 740 591	$	(215 684)	$	-	$	-	$	2 524 907

3. LOANS RECEIVABLE - CONTINUED

The table below represents the allowance and the carrying value of outstanding loans and leased by portfolio segment at December 31, 2020 and 2019:

	DECEMBER 31, 2020			DECEMBER 31, 2019		
	IMPAIRED LOANS AND TROUBLE DEBT RESTRUCTURINGS			IMPAIRED LOANS AND TROUBLE DEBT RESTRUCTURINGS		
	ALLOWANCE FOR LOANS AND LEASE LOSSES	UNPAID PRINCIPAL BALANCE	ALLOWANCE AS A PERCENTAGE OF UNPAID PRINCIPAL BALANCE	ALLOWANCE FOR LOANS AND LEASE LOSSES	UNPAID PRINCIPAL BALANCE	ALLOWANCE AS A PERCENTAGE OF UNPAID PRINCIPAL BALANCE
Residential real estate	$ -	$ 42 236	- %	$ -	$ 46 654	- %
Poultry related	-	-	- %	-	-	- %
Commercial real estate	-	-	- %	-	-	- %
Automobiles and other vehicles	-	-	- %	-	-	- %
Equipment	-	40 800	- %	-	40 800	- %
Stocks and bonds	-	-	- %	-	-	- %
Bank deposit secured	-	-	- %	-	-	- %
Cattle and other livestock	-	-	- %	-	-	- %
Unsecured	-	-	- %	-	-	- %
Other	-	-	- %	-	-	- %
TOTAL	$ -	$ 83 036	- %	$ -	$ 87 454	- %
	COLLECTIVELY EVALUATED FOR IMPAIRMENT			COLLECTIVELY EVALUATED FOR IMPAIRMENT		
	ALLOWANCE FOR LOANS AND LEASE LOSSES	UNPAID PRINCIPAL BALANCE	ALLOWANCE AS A PERCENTAGE OF UNPAID PRINCIPAL BALANCE	ALLOWANCE FOR LOANS AND LEASE LOSSES	UNPAID PRINCIPAL BALANCE	ALLOWANCE AS A PERCENTAGE OF UNPAID PRINCIPAL BALANCE
Residential real estate	$ 286 825	$ 40 997 987	0.70%	$ 339 375	$ 50 701 019	0.67%
Poultry related	1 518 574	75 069 980	2.02%	1 285 932	71 267 990	1.80%
Commercial real estate	219 473	52 605 011	0.42%	251 844	46 858 824	0.54%
Automobiles and other vehicles	94 517	8 362 825	1.13%	96 908	8 055 827	1.20%
Equipment	157 946	10 320 025	1.52%	182 219	10 558 004	1.72%
Stocks and bonds	551	194 088	0.28%	1 638	249 758	0.66%
Bank deposit secured	111 801	4 933 544	2.27%	7 520	5 800 450	0.13%
Cattle and other livestock	53 691	11 304 342	0.47%	62 453	11 129 547	0.56%
Unsecured	87 689	26 559 351	0.33%	76 197	15 361 404	0.50%
Other	83 062	18 453 949	0.45%	111 485	8 912 324	1.25%
TOTAL	$ 2 614 129	$ 248 801 092	1.05%	$ 2 415 571	$ 228 895 147	1.05%
	TOTAL			TOTAL		
	ALLOWANCE FOR LOANS AND LEASE LOSSES	UNPAID PRINCIPAL BALANCE	ALLOWANCE AS A PERCENTAGE OF UNPAID PRINCIPAL BALANCE	ALLOWANCE FOR LOANS AND LEASE LOSSES	UNPAID PRINCIPAL BALANCE	ALLOWANCE AS A PERCENTAGE OF UNPAID PRINCIPAL BALANCE
Residential real estate	$ 286 825	$ 41 040 223	0.70%	$ 339 375	$ 50 747 673	0.67%
Poultry related	1 518 574	75 069 980	2.02%	1 285 932	71 267 990	1.80%
Commercial real estate	219 473	52 605 011	0.42%	251 844	46 858 824	0.54%
Automobiles and other vehicles	94 517	8 362 825	1.13%	96 908	8 055 827	1.20%
Equipment	157 946	10 360 825	1.52%	182 219	10 598 804	1.72%
Stocks and bonds	551	194 088	0.28%	1 638	249 758	0.66%
Bank deposit secured	111 801	4 933 544	2.27%	7 520	5 800 450	0.13%
Cattle and other livestock	53 691	11 304 342	0.47%	62 453	11 129 547	0.56%
Unsecured	87 689	26 559 351	0.33%	76 197	15 361 404	0.50%
Other	83 062	18 453 949	0.45%	111 485	8 912 324	1.25%
	2 614 129	248 884 128	1.05%	2 415 571	228 982 601	1.05%
Unallocated	(51 485)	-		109 336	-	
TOTAL	$ 2 562 644	$ 248 884 128	1.03%	$ 2 524 907	$ 228 982 601	1.10%

Impaired Loans:

A loan is considered impaired when, based on current information and events, it is probable that the Savings Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Information on impaired loans for the year ended December 31, 2020 and 2019 are as follows:

	DECEMBER 31, 2020			
PORTFOLIO SEGMENT	UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT
Residential real estate	$ 42 236	$ 42 236	$ -	$ 44 445
Equipment	$ 40 800	$ 40 800	$ -	$ 40 800

3. LOANS RECEIVABLE - CONTINUED

PORTFOLIO SEGMENT	DECEMBER 31, 2019 UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT
Residential real estate	$ 46 654	$ 46 654	$ -	$ 48 657
Equipment	$ 40 800	$ 40 800	$ -	$ 20 400

Troubled Debt Restructuring

A loan is accounted for as a troubled debt restructuring (TDR) if the Savings Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. A TDR typically involves a modification of terms such as a reduction of the stated interest rate or face amount of the loan, a reduction of the accrued interest, or an extension of the maturity date(s) at a stated interest rate lower than the current market rate for a new loan with similar risk.

Information on TDR's during the year ended December 31, 2020 (in thousands of dollars) is as follows:

	DECEMBER 31, 2020 NUMBER OF CONTRACTS	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT
TDRs:			
Poultry related	1	$ 1 040 486	$ 1 040 486
Equipment	2	15 496	15 496
Automobiles and other vehicles	3	12 067	12 067
Unsecured	2	8 169	8 169
TOTAL	8	$ 1 076 218	$ 1 076 218

Information on TDR's during the year ended December 31, 2019 (in thousands of dollars) is as follows:

	DECEMBER 31, 2019 NUMBER OF CONTRACTS	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT
TDRs:			
Equipment	2	$ 89 520	$ 89 520
Automobiles and other vehicles	3	13 822	13 822
Unsecured	3	87 611	87 611
TOTAL	8	$ 190 953	$ 190 953

At December 31, 2020 and 2019, the Bank has approximately $1,228,000 and $214,000 in loans reclassified as TDRs. The troubled debt restructuring loans shown in the table were modified during 2020 and 2019 with lower interest rates and extended terms.

There were no loans during 2020 and 2019 that had been modified as troubled debt restructurings, and then subsequently defaulted during 2020.

The Savings Bank is working with borrowers impacted by COVID-19 and providing modifications to include interest only deferral or principal and interest deferral. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the Cares Act or under applicable interagency guidance of the federal banking regulators.

Income recognized during the periods presented related to impaired loans is not considered significant for separate disclosure.

The Savings Bank had no significant commitments to lend additional funds to debtors whose loans have been modified.

4. LOAN SERVICING

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at December 31 are summarized as follows:

	2020	2019
Loans sold to Federal National Mortgage Association (FNMA)	$ 35 105 714	$ 26 428 819
Participating interests in loans sold to other institutions	$ 1 333 627	$ 1 869 506

4. LOAN SERVICING - CONTINUED

Sales of mortgage loans to FNMA resulted in income from the sale of loans for the years presented of $514,840 and $168,561, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing for FNMA and included in demand deposits were approximately $191,000 and $172,000 at December 31, 2020 and 2019, respectively.

The Savings Bank has mortgage servicing rights of approximately $116,000 and $86,000 at December 31, 2020 and 2019 as a result of loan sales to FNMA. Amortization of mortgage servicing rights were approximately $33,100 and $18,200 for the years presented and approximately $63,100 and $13,200 were added for these periods. Mortgage servicing rights are stated at cost. The Savings Bank has determined that no significant impairment existed for mortgage servicing rights at December 31, 2020 and 2019. Mortgage servicing rights are included in other assets on the consolidated statements of financial condition.

Additionally, the Savings Bank has sold participating interests in certain other loans to various financial institutions. The Savings Bank is the lead lender and is therefore servicing these loans. The unpaid balances of the participating interests sold in these loans at December 31, 2020 and 2019 were $1,333,627 and $1,869,506, respectively, and these amounts have been reduced from loans receivable in the accompanying Consolidated Statements of Financial Condition. No servicing rights have been recorded on these sold participating interests as the interest sale differential does not materially differ from a normal expected servicing fee.

5. PROPERTY AND EQUIPMENT

Property and Equipment is recorded at cost and is summarized by major classifications as follows:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Building and improvements	$ 9 550 493	$ 9 533 225
Furniture, fixtures and equipment	4 584 537	4 372 026
Automobiles	200 397	217 719
Land	2 485 879	1 898 692
Construction in process	227 908	-
	17 049 214	16 021 662
Less accumulated depreciation	(8 549 954)	(7 916 454)
TOTAL	$ 8 499 260	$ 8 105 208

Depreciation expense was $772,460 and $774,243 for the periods ended December 31, 2020 and 2019, respectively.

6. DEPOSITS

The following table summarizes deposits by category at December 31:

	2020	2019
Noninterest-Bearing:		
Demand	$ 63 044 596	$ 47 908 794
Interest-Bearing:		
Interest-bearing demand	93 332 687	86 822 828
Savings	32 085 214	27 292 210
Time deposits less than $250,000	71 408 567	66 960 986
Time deposits $250,000 and over	13 629 454	12 858 518
TOTAL INTEREST-BEARING	210 455 922	193 934 542
TOTAL DEPOSITS	$ 273 500 518	$ 241 843 336

The scheduled maturities of certificates of deposits are as follows at December 31, 2020:

YEAR ENDING DECEMBER 31,	QWICKRATE	OTHER CERTIFICATES OF DEPOSITS	TOTAL
2021	$ 14 345 000	$ 52 518 899	$ 66 863 899
2022	3 215 000	8 228 205	11 443 205
2023	249 000	3 248 323	3 497 323
2024	245 000	2 103 520	2 348 520
2025	-	885 074	885 074
	$ 18 054 000	$ 66 984 021	$ 85 038 021

The Savings Bank participates in QwickRate. QwickRate is a nationwide clearinghouse for certificates of deposit among financial institutions and similar investors and is used as a source of liquidity for the Savings Bank. At December 31, 2020 and 2019, the Savings Bank had certificates of deposit of $18,054,000 and $10,371,000 from QwickRate.

7. FEDERAL HOME LOAN BANK ADVANCES

Federal Home Loan Bank Advances as of December 31 are as follows:

ADVANCE NUMBER	INTEREST RATE	2020	2019
39002159	6.06%	$ 42 434	$ 123 551
39002375	6.12%	49 619	130 674
2478000003	6.26%	125 367	202 655
2478000004	6.06%	123 587	199 965
2478000005	5.84%	128 051	203 047
2478000006	5.62%	132 333	205 996
2478000008	4.99%	144 297	214 294
3947000032	4.19%	858 110	1 042 729
3947000033	3.60%	-	19 785
3947000036	3.66%	431 485	501 037
3947000037	4.00%	622 728	669 516
3947000040	2.75%	968 340	1 102 570
3947000042	1.83%	161 869	267 347
3947000044	1.75%	340 358	550 529
3947000046	2.40%	966 683	1 100 634
3947000052	2.81%	1 933 187	2 121 312
3947000058	2.37%	1 009 017	1 207 379
3947000089	2.48%	1 646 560	1 731 523
4216000001	4.91%	843 928	994 943
4216000012	2.87%	1 197 917	1 285 361
4216000013	3.14%	431 827	451 628
1893000030	3.37%	3 183 141	3 541 082
1893000035	1.985%	4 807 929	-
		$ 20 148 767	$ 17 867 557

These advances are collateralized by a blanket coverage on all first mortgage real estate loans, Federal Home Loan Bank Stock, deposit accounts at the Federal Home Loan Bank and certain unpledged securities held in safekeeping at the Federal Home Loan Bank and continue to be available based on an availability computation. The advances are generally subject to prepayment penalties and are generally at fixed interest rates.

Maturities of these advances for the next five years and thereafter are as follows:

YEAR ENDING DECEMBER 31	AMOUNTS
2021	$ 2 812 026
2022	2 506 874
2023	2 131 153
2024	2 197 795
2025	1 987 237
Thereafter	8 513 682
	$ 20 148 767

8. REGULATORY MATTERS

The Savings Bank is subject to various regulatory capital requirements administered by federal and state 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 Savings Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Savings 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. The capital amounts and classification 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 Savings Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Common Equity and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020, that the Savings Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent notification from the Federal Deposit Insurance Corporation categorized the Savings Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Savings Bank must maintain minimum total risk-based, Common Equity Tier I risk based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Savings Bank's category. The Savings Bank's actual capital amounts and ratios as of December 31, 2020 and 2019 are presented in the following table.

8. REGULATORY MATTERS - CONTINUED

	ACTUAL		MINIMUM CAPITAL REQUIRED UNDER BASEL III PHASE-IN FOR CAPITAL ADEQUACY PURPOSES		REQUIRED TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2020:						
Total Capital (to risk weighted assets):						
Savings Bank	$ 41 548 000	16.03%	$ 27 219 000	≥10.50%	$ 25 922 000	≥10.00%
Tier I Capital (to risk weighted assets):						
Savings Bank	$ 40 407 000	15.07%	$ 22 788 000	≥ 8.50%	$ 21 448 000	≥ 8.00%
Tier I Capital (to average assets):						
Savings Bank	$ 40 407 000	11.93%	$ 13 547 000	≥ 4.00%	$ 16 934 000	≥ 5.00%
Common Equity Tier I Capital (to risk weighted assets):						
Savings Bank	$ 40 407 000	15.07%	$ 18 767 000	≥ 7.00%	$ 17 426 000	≥ 6.50%
As of December 31, 2019:						
Total Capital (to risk weighted assets):						
Savings Bank	$ 40 735 000	16.91%	$ 25 300 000	≥10.50%	$ 24 095 000	≥10.00%
Tier I Capital (to risk weighted assets):						
Savings Bank	$ 38 210 000	15.86%	$ 20 481 000	≥ 8.50%	$ 19 276 000	≥ 8.00%
Tier I Capital (to average assets):						
Savings Bank	$ 38 210 000	12.61%	$ 12 125 000	≥ 4.00%	$ 15 156 000	≥ 5.00%
Common Equity Tier I Capital (to risk weighted assets):						
Savings Bank	$ 38 210 000	15.86%	$ 16 867 000	≥ 7.00%	$ 15 662 000	≥ 6.50%

The above 2020 risk-weighted capital ratios for capital adequacy purposes include a 2.50% capital conservation buffer. The capital conservation buffer was fully phased in during 2019 to 2.50%. Financial institutions with a buffer greater than 2.50% are not subject to limits on capital distributions or discretionary bonus payments beyond those currently included in regulations. As reflected above, the Saving Bank's capital was sufficient to exceed its minimum capital requirements including the required capital conservation buffer.

Although Federal Reserve regulations regarding specific capital requirements do not generally apply to Bank Holding Companies with consolidated assets of less than $3 billion, the Federal Reserve may apply capital guidelines to the Company on a consolidated basis, regardless of asset size, if such action is warranted for supervisory purposes.

9. RELATED PARTY TRANSACTIONS

The aggregate amount of loans to directors, principal officers and their related interests at December 31, 2020 and 2019 are presented in the following table. Activity during the years presented for these loans are approximately as follows:

	2020	2019
Balance, beginning of years	$ 2 925 000	$ 2 114 000
Advances	596 000	938 000
Repayments	(302 000)	(127 000)
BALANCE END OF YEAR	$ 3 219 000	$ 2 925 000

The aggregate amount of deposits to such related parties at December 31, 2020 and 2019 amounted to approximately $7,459,000 and $5,325,000, respectively.

During 2019, the Savings Bank purchased a building in Center Texas for approximately $40,000 from a board member. During 2020, the Savings Bank paid approximately $31,300 to a company owned by a board member to remodel the building.

10. STOCK BASED COMPENSATION

Restricted Stock Awards

The Company periodically issues common stock grants to key employees. These awards of stock are measured at their fair value at the date of grant and amortized to expense over the vesting period of up to 5 years. At December 31, 2020 and 2019, 205 shares and -0- shares, respectively, have been granted with grant date fair values of $455 per share. Additionally, no shares vested in 2020 and 2019. Total unvested shares as of December 31, 2020 were 205. There was no stock-based compensation expense for years ending 2020 and 2019. As of December 31, 2020 and 2019, there was $93,275 and $-0-, respectively, of total unrecognized compensation cost related to nonvested shares granted.

11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Savings 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 mortgage commitments to extend credit, stand-by letters of credit and lines of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Savings Bank has in particular classes of financial instruments.

The Savings Bank's exposure to credit loss in the event of nonperformance by the other party to these financial instruments is represented by the contractual notional amount of those instruments. The Savings Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Savings Bank had Financial Instruments whose contract or notional amounts represent credit risk of the following:

	CONTRACTUAL OR NOTIONAL AMOUNT DECEMBER 31,	
	2020	2019
Financial Instruments Whose Contract Amounts Represent Off-Balance-Sheet Credit Risk:		
Mortgage commitments	$ 16 428 964	$ 18 007 784
Stand-by letters of credit	$ 628 438	$ 492 193
Lines of credit	$ 41 656 994	$ 38 509 898

Mortgage commitments are agreements to lend to a customer to construct a building or purchase real estate. Commitments generally do not have fixed expiration dates or other termination clauses and may require payment of a fee. These commitments may be at fixed or variable rates. The Savings Bank evaluates each customer's creditworthiness on a case-by-case basis. The Savings Bank generally requires collateral upon extension of credit. The Savings Bank files a materials and mechanics lien on mortgage commitments once the loan begins funding.

Of the total unfunded lines of credit referred to above approximately $-0- are related to the poultry industry either as a major source of repayment, as collateral, or both. Of the mortgage commitments referred to above, $2,392,564 are related to the poultry industry either as a major source of repayment, as collateral, or both.

Stand-by letters of credit are conditional commitments issued by the Savings Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. All guarantees existing at December 31, 2020 have expiration dates through December 31, 2025. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Unfunded lines of credit are commitments by the Savings Bank to customers to extend credit. These lines of credit have expiration dates and may be collateralized depending on the Savings Bank's evaluation of the particular credit involved. At December 31, 2020 and 2019, approximately 53% and 48%, respectively, were unsecured or secured by life insurance policies and the remaining were secured mainly by cattle, equipment, inventory and accounts receivable.

12. CONCENTRATION OF CREDIT RISK

The Savings Bank grants commercial, real estate and consumer loans to customers mainly in Center, San Augustine, Hemphill and Palestine, Texas and surrounding areas. The Savings Bank also grants poultry and other types of loans to customers in the Bryan and College Station, Texas areas. Although the Savings Bank has a diversified loan portfolio, a substantial portion of the debtors' ability to honor their contracts is dependent upon the economy in the above described areas. This economy is strongly dependent on the poultry industry which the Savings Bank supports through its loan portfolio (See Notes 3 and 11). Collateral for these poultry loans is generally poultry houses together with the related real estate and single family dwellings. The Savings Bank generally requires collateral for all loans and expects payment from cash flows of the borrowers.

Shelby Savings Bank, SSB may from time to time carry certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Savings Bank.

13. DIVIDEND RESTRICTIONS

Financial institutions are is subject to certain restrictions on the amount of dividends they may pay without prior regulatory approval. The Savings Bank normally restricts dividends to a lesser amount. At December 31, 2020, retained earnings of approximately $4,438,000 was available to the Savings Bank for the payment of dividends without prior regulatory approval. In addition, dividends may be limited without regulatory approval if certain capital requirements will not be met subsequent to the dividend.

14. RETIREMENT PLAN

The Savings Bank has a 401(k) Retirement Plan ("Plan"). The plan is in effect for substantially all full-time employees (if they elect to be covered) who have completed one year of service and attained 18 years of age. The Savings Bank, at its discretion, may match a portion of each employee's contribution. The Savings Bank, at its discretion, may make an additional contribution as of each December 31. Contributions to the plan amounted to $100,812 and $92,002 for 2020 and 2019, respectively and are included in compensation and benefits on the consolidated statements of income. Vesting in the Savings Bank's discretionary matching contributions is over a seven year period.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements*, 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. The 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 asset 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 or liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable asset or liabilities which use observable inputs other than Level 1 prices, such as quoted prices from 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.

Fair values of assets and liabilities are presented on the consolidated balance sheets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
December 31, 2020				
Available for Sale Securities:				
U.S. Agency Securities	$ 4 118 502	$ -	$ 4 118 502	$ -
State and Municipal	13 424 598	-	13 424 598	-
Mortgage-backed Securities	23 247 797	-	23 247 797	-
	$ 40 790 897	$ -	$ 40 790 897	$ -
December 31, 2019				
Available for Sale Securities:				
U.S. Agency Securities	$ 11 630 321	$ -	$ 11 630 321	$ -
State and Municipal	6 579 052	-	6 579 052	-
Mortgage-backed Securities	13 114 987	-	13 114 987	-
	$ 31 324 360	$ -	$ 31 324 360	$ -

Fair market value for available for sale securities are provided by a third party servicer. The servicer generally estimates the market values of available for sale securities based on several factors. These include the use of third party bond pricing services priced based on current sales activity on similar securities. Additional, the servicer evaluates the inputs from the third party pricing services and compares these prices to inputs they have observed for similar securities from sources such as dealer commentaries and actual market transactions. If a variances exists, the servicer will make a determination of market value based on all available information. The inputs used in this valuation process are generally descriptive of those considered Level 2 in nature in current accounting guidance.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS - CONTINUED

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

			FAIR VALUE MEASUREMENTS USING				
		DECEMBER 31, 2020		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL 1)		SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)		SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Impaired Loans:								
Residential real estate	$	42 236	$	-	$	-	$	42 236
Equipment		40 800		-		-		40 800
TOTAL IMPAIRED LOANS	$	83 036	$	-	$	-	$	83 036
Real Estate Owned and Other Assets Acquired in Settlement of Loans:								
Residential real estate	$	-	$	-	$	-	$	-
Other		-		-		-		-
TOTAL REAL ESTATE OWNED AND OTHER ASSETS ACQUIRED IN SETTLEMENT OF LOANS	$	-	$	-	$	-	$	-

				FAIR VALUE MEASUREMENTS USING				
		DECEMBER 31, 2019		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL 1)		SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)		SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Impaired Loans:								
Residential real estate	$	46 654	$	-	$	-	$	46 654
Equipment		40 800		-		-		40 800
TOTAL IMPAIRED LOANS	$	87 454	$	-	$	-	$	87 454
Real Estate Owned and Other Assets Acquired in Settlement of Loans:								
Residential real estate	$	-	$	-	$	-	$	-
Other		7 368		-		-		7 368
TOTAL REAL ESTATE OWNED AND OTHER ASSETS ACQUIRED IN SETTLEMENT OF LOANS	$	7 368	$	-	$	-	$	7 368

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. Financial assets and liabilities measured at fair value on nonrecurring basis include the following:

Impaired Loans

Certain impaired loans are reported at fair value of underlying collateral if repayment is expected solely from the collateral. The impaired loans are reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

Real Estate and Other Assets Acquired in the Settlement of Loans

Real estate and other assets acquired in the settlement of loans are recorded at the fair value of the property, less any selling costs, as applicable, at the time of foreclosure. If necessary, carrying amounts are reduced to reflect this value through charges to the allowance for possible credit losses upon foreclosure. Subsequent to foreclosure, real estate is carried at the lower of its new cost basis or fair value, less estimated costs to sell. Real estate and other assets acquired in the settlement of loans is fair valued under Level 3 at the lower of cost or fair value based on property appraisals less estimated costs, which include both observable and unobservable inputs, at the time of transfer and as appropriate thereafter.

16. RESTRICTION ON CASH AND DUE FROM BANKS

The Savings Bank is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. The required reserve at December 31, 2020, was approximately $-0-.

17. LINE OF CREDIT, LETTER OF CREDIT AND COMMITMENTS

The Savings Bank has a line of credit to purchase Federal funds in the amount of $8,000,000 should those funds be needed for liquidity purposes. The Savings Bank had $-0- and $-0- of Federal funds purchased drawn at December 31, 2020 and 2019, respectively.

The Savings Bank has letters of credit in the amount of $17,000,000 to secure the public funds.

The Savings Bank has a contract to construct a building in Lindale Texas for approximately $1,499,000 with approximately $1,343,000 remaining on the contract at December 31, 2020.

18. COMPONENTS OF OTHER COMPREHENSIVE INCOME

The following table presents the changes in each component of accumulated other comprehensive income for the years ended December 31, 2020 and 2019:

	SECURITIES AVAILABLE FOR SALE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance at December 31, 2018	$ (499 700)	$ (499 700)
Other comprehensive income before reclassification	867 872	867 872
Amounts reclassified from accumulated other comprehensive income	(181 258)	(181 258)
Balance at December 31, 2019	186 914	186 914
Other comprehensive income before reclassification	695 188	695 188
Amounts reclassified from accumulated other comprehensive income	(2 803)	(2 803)
Balance at December 31, 2020	$ 879 299	879 299

19. INTANGIBLE ASSETS

Effective as of the close of business April 6, 2018, Shelby Insurance Agency, Inc. acquired certain assets, accounts, and/or policies of Schillings and Shoop Insurance Agency. The following table reflects the fair value of the assets purchased and liabilities assumed at the purchase date.

	2020	2019
Customer relationship value	$ 137 500	$ 137 500
Less: Accumulated amortization	(13 177)	(6 302)
	$ 124 323	$ 131 198

Amortization expense amounted to $6,875 and $6,302 for the years presented.

20. COMMISSION INCOME

Net commission income consists of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Commission income	$ 197 349	$ 168 466
Premiums collected	247 734	279 224
TOTAL COMMISSION INCOME	445 083	447 690
Cost of insurance	237 903	279 454
NET COMMISSION INCOME	$ 207 180	$ 168 236

21. COVID-19 PANDEMIC

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January through April 2020. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. As of the date of these statements, the extent to which COVID-19 may impact the Company’s financial condition or results of operations is uncertain.

AXLEY & RODE LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Directors
Shelby Bancshares, Inc. and Subsidiary
Center, Texas

We have audited the consolidated financial statements of Shelby Bancshares, Inc. and Subsidiary as of and for the years ended December 31, 2020 and 2019, and our report thereon dated March 22, 2021, which expressed an unmodified opinion on those financial statements appears on page 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
March 22, 2021

www.axleyrode.com

CONSOLIDATING STATEMENTS

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL CONDITION
December 31, 2020

		SHELBY BANCSHARES, INC.
ASSETS		
Cash and cash equivalents	$	1 531 418
Interest-bearing demand deposits in other banks		-
TOTAL CASH AND CASH EQUIVALENTS		1 531 418
Investment securities available for sale		-
Investment in subsidiary		41 547 962
Loans receivable		-
Real estate and other assets acquired in settlement of loans		-
Property and equipment		-
Federal Home Loan Bank stock		-
Accrued interest receivable		-
Cash value life insurance		-
Goodwill		-
Intangible assets		-
Other assets		8 751
TOTAL ASSETS	$	43 088 131
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing deposits	$	-
Interest-bearing deposits		-
TOTAL DEPOSITS		-
Advances from borrowers for taxes and insurance		-
Accrued interest payable		-
Distributions payable		1 430 097
Federal Home Loan Bank advances		-
Other liabilities		4 077
TOTAL LIABILITIES		1 434 174
Stockholders' Equity:		
Capital stock		88 006
Additional paid-in capital		7 588 030
Contra-equity		(93 275)
Retained earnings		33 191 897
Accumulated other comprehensive income		879 299
TOTAL STOCKHOLDERS' EQUITY		41 653 957
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	43 088 131

See independent auditors' report on additional information.

SHELBY SAVINGS BANK SSB	SHELBY INSURANCE AGENCY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ 4 260 037	$ 43 862	$ (1 575 280)	$ 4 260 037
29 063 385	-	-	29 063 385
33 323 422	43 862	(1 575 280)	33 323 422
40 790 897	-	-	40 790 897
550 043	-	(42 098 005)	-
245 428 217	-	-	245 428 217
-	-	-	-
8 249 644	249 616	-	8 499 260
1 643 100	-	-	1 643 100
2 012 089	-	-	2 012 089
5 770 941	-	-	5 770 941
-	137 500	-	137 500
-	124 323	-	124 323
346 968	1 266	-	356 985
$ 338 115 321	$ 556 567	$ (43 673 285)	$ 338 086 734
$ 64 619 876	$ -	$ (1 575 280)	$ 63 044 596
210 455 922	-	-	210 455 922
275 075 798	-	(1 575 280)	273 500 518
658 103	-	-	658 103
85 980	-	-	85 980
-	-	-	1 430 097
20 148 757	-	-	20 148 757
598 721	6 524	-	609 322
296 567 359	6 524	(1 575 280)	296 432 777
731 899	900 006	(1 631 905)	88 006
4 398 007	-	(4 398 007)	7 588 030
-	-	-	(93 275)
35 538 757	(349 963)	(35 188 794)	33 191 897
879 299	-	(879 299)	879 299
41 547 962	550 043	(42 098 005)	41 653 957
$ 338 115 321	$ 556 567	$ (43 673 285)	$ 338 086 734

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2020

	SHELBY BANCSHARES, INC.
Interest Income:	
Loans Receivable:	
First mortgage loans	$ -
Consumer and other loans	-
Mortgage-backed and related securities	-
US Government agencies	-
Municipal bonds	-
Other interest-earning assets	-
TOTAL INTEREST INCOME	-
Interest Expense:	
Deposits	-
Federal Home Loan Bank advances	-
TOTAL INTEREST EXPENSE	-
NET INTEREST INCOME	-
Provision for loan losses	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	-
Noninterest Income:	
Service charges and overdraft fees on deposit accounts	-
Commission income	-
Loan late charges	-
ATM income	-
Increase in cash value of life insurance	-
Gain on sale of loans held for sale	-
Equity in earnings of subsidiaries	4 369 741
Realized gain on sale of available for sale securities	-
Other	-
TOTAL OTHER INCOME	4 369 741
Noninterest Expense:	
General and Administrative:	
Compensation and benefits	-
Occupancy and equipment	-
Advertising	-
Computer service	-
Directors fees	-
Office supplies	-
(Gain)/loss on sale of repossessed property	-
Other	15 586
TOTAL NONINTEREST EXPENSE	15 586
NET INCOME (LOSS)	$ 4 354 155

See independent auditors' report on additional information.

SHELBY SAVINGS BANK SSB	SHELBY INSURANCE AGENCY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ 9 079 869	$ -	$ -	$ 9 079 869
4 553 243	-	-	4 553 243
246 493	-	-	246 493
139 663	-	-	139 663
248 839	-	-	248 839
122 441	-	-	122 441
14 390 548	-	-	14 390 548
1 680 404	-	-	1 680 404
640 404	-	-	640 404
2 320 808	-	-	2 320 808
12 069 740	-	-	12 069 740
96 435	-	-	96 435
11 973 305	-	-	11 973 305
782 740	-	-	782 740
-	207 180	-	207 180
119 226	-	-	119 226
581 256	-	-	581 256
137 782	-	-	137 782
514 840	-	-	514 840
(134 639)	-	(4 235 102)	-
95 992	-	-	95 992
593 788	-	-	593 788
2 690 985	207 180	(4 235 102)	3 032 804
5 294 087	258 826	-	5 552 913
1 670 431	36 612	-	1 707 043
215 491	8 583	-	224 074
1 035 979	-	-	1 035 979
368 400	-	-	368 400
228 493	-	-	228 493
8 969	-	-	8 969
1 472 699	37 798	-	1 526 083
10 294 549	341 819	-	10 651 954
$ 4 369 741	$ (134 639)	$ (4 235 102)	$ 4 354 155

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL CONDITION
December 31, 2019

	SHELBY BANCSHARES, INC.
ASSETS	
Cash and cash equivalents	$ 3 053 920
Interest-bearing demand deposits in other banks	-
TOTAL CASH AND CASH EQUIVALENTS	3 053 920
Investment securities available for sale	-
Investment in subsidiary	38 665 854
Loans receivable	-
Real estate and other assets acquired in settlement of loans	-
Property and equipment	-
Federal Home Loan Bank stock	-
Accrued interest receivable	-
Cash value life insurance	-
Goodwill	-
Intangible assets	-
Other assets	16 747
TOTAL ASSETS	$ 41 736 521
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities:	
Noninterest-bearing deposits	$ -
Interest-bearing deposits	-
TOTAL DEPOSITS	-
Advances from borrowers for taxes and insurance	-
Accrued interest payable	-
Distributions payable	662 048
Federal Home Loan Bank advances	-
Other liabilities	-
TOTAL LIABILITIES	662 048
Stockholders' Equity:	
Capital stock	91 317
Additional paid-in capital	9 313 105
Retained earnings	31 483 137
Accumulated other comprehensive income	186 914
TOTAL STOCKHOLDERS' EQUITY	41 074 473
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 41 736 521

See independent auditors' report on additional information.

SHELBY SAVINGS BANK SSB	SHELBY INSURANCE AGENCY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ 3 971 168	$ 51 165	$ (3 105 085)	$ 3 971 168
29 789 988	-	-	28 789 988
33 761 156	51 165	(3 105 085)	33 761 156
31 324 360	-	-	31 324 360
584 683	-	(39 250 537)	-
219 598 028	-	-	219 598 028
7 368	-	-	7 368
7 842 168	263 040	-	8 105 208
1 619 300	-	-	1 619 300
1 745 051	-	-	1 745 051
5 633 160	-	-	5 633 160
-	137 500	-	137 500
-	131 198	-	131 198
646 007	1 018	-	663 772
$ 302 761 281	$ 583 921	$ (42 355 622)	$ 302 726 101
$ 51 013 879	$ -	$ (3 105 085)	$ 47 908 794
193 934 542	-	-	193 934 542
244 948 421	-	(3 105 085)	241 843 336
570 380	-	-	570 380
129 567	-	-	129 567
-	-	-	662 048
17 867 557	-	-	17 867 557
579 502	(762)	-	578 740
264 095 427	(762)	(3 105 085)	261 651 628
731 899	800 006	(1 531 905)	91 317
4 398 007	-	(4 398 007)	9 313 105
33 349 034	(215 323)	(33 133 711)	31 483 137
186 914	-	(186 914)	186 914
38 665 854	584 683	(39 250 537)	41 074 473
$ 302 761 281	$ 583 921	$ (42 355 622)	$ 302 726 101

SHELBY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2019

		SHELBY BANCSHARES, INC.
Interest Income:		
Loans Receivable:		
First mortgage loans	$	-
Consumer and other loans		-
Mortgage-backed and related securities		-
US Government agencies		-
Municipal bonds		-
Other interest-earning assets		-
TOTAL INTEREST INCOME		-
Interest Expense:		
Deposits		-
Federal Home Loan Bank advances		-
TOTAL INTEREST EXPENSE		-
NET INTEREST INCOME		-
Provision for loan losses		-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		-
Noninterest Income:		
Service charges and overdraft fees on deposit accounts		-
Commission income		-
Loan late charges		-
ATM income		-
Increase in cash value of life insurance		-
Gain on sale of loans held for sale		-
Equity in earnings of subsidiaries		4 275 456
Realized gain on sale of available for sale securities		-
Other		24
TOTAL OTHER INCOME		4 275 480
Noninterest Expense:		
General and Administrative:		
Compensation and benefits		-
Occupancy and equipment		-
Advertising		-
Computer service		-
Directors fees		-
Office supplies		-
(Gain)/loss on sale of repossessed property		-
Other		92 636
TOTAL NONINTEREST EXPENSE		92 636
NET INCOME (LOSS)	$	4 182 844

See independent auditors' report on additional information.

SHELBY SAVINGS BANK SSB	SHELBY INSURANCE AGENCY, INC.	ELIMINATING ENTRIES	CONSOLIDATED TOTALS
$ 8 804 074	$ -	$ -	$ 8 804 074
4 293 336	-	-	4 293 336
169 877	-	-	169 877
307 476	-	-	307 476
197 082	-	-	197 082
573 288	-	-	573 288
14 345 133	-	-	14 345 133
2 046 374	-	-	2 046 374
630 323	-	-	630 323
2 676 697	-	-	2 676 697
11 668 436	-	-	11 668 436
-	-	-	-
11 668 436	-	-	11 668 436
1 042 036	-	-	1 042 036
-	168 236	-	168 236
128 708	-	-	128 708
557 452	-	-	557 452
131 489	-	-	131 489
168 561	-	-	168 561
(139 705)	-	(4 135 751)	-
88 767	-	-	88 767
441 988	-	-	442 012
2 419 296	168 236	(4 135 751)	2 727 261
4 963 679	231 377	-	5 195 056
1 627 509	21 800	-	1 649 309
256 929	6 767	-	263 696
899 326	-	-	899 326
377 800	-	-	377 800
207 449	-	-	207 449
(21 821)	-	-	(21 821)
1 501 405	47 997	-	1 642 038
9 812 276	307 941	-	10 212 853
$ 4 275 456	$ (139 705)	$ (4 135 751)	$ 4 182 844

SHELBY BANCSHARES, INC.
CENTER, TEXAS
DOMESTIC HOLDING COMPANY
ANNUAL REPORT F.R.Y-6

Item 2a - Organization Chart

SHELBY BANCSHARES, INC.
Center, Texas
Incorporated in Texas

"LEI: NONE"

100% Owned

SHELBY SAVINGS BANK, SSB
Center, Texas
Incorporated in Texas

"LEI: NONE"

100% Owned

SHELBY INSURANCE AGENCY, INC
Hemphill, Texas
Incorporated in Texas

“LEI: NONE”

SHELBY BANCSHARES, INC.
CENTER, TEXAS
DOMESTIC HOLDING COMPANY
ANNUAL REPORT F.R.Y-6

Item 2b - Branch Locations

Shelby Savings Bank, SSB
Center Branch
111 Selma Street
Center, Texas 75935
936.598.5688
FULL SERVICE
ELECTRONIC BANKING
MOBILE BANKING

Shelby Savings Bank, SSB
San Augustine Branch
710 West Columbia
San Augustine, Texas 75972
936.275.3414
FULL SERVICE
MOBILE BANKING

Shelby Savings Bank, SSB
Hemphill Branch
103 Worth Street
Hemphill, Texas 75948
409.787.3102
FULL SERVICE
MOBILE BANKING

Shelby Savings Bank, SSB
Center North Branch
1110 Hurst
Center, Texas 75935
936.591.0134
LIMITED SERVICE
MOBILE BANKING

Shelby Savings Bank, SSB
Palestine Branch
2805 Loop 256
Palestine, Texas 75801
903.723.3164
FULL SERVICE
MOBILE BANKING

Results: A list of branches for your depository institution: SHELBY SAVINGS BANK, SSB (ID_RSSD: 552974).
This depository institution is held by SHELBY BANCSHARES, INC. (2960630) of CENTER, 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)	552974	SHELBY SAVINGS BANK, SSB	111 SELMA ST	CENTER	TX	75935	SHELBY	UNITED STATES	Not Required	Not Required	SHELBY SAVINGS BANK, SSB	552974	
Ok		Limited Service	3929317	CENTER NORTH BRANCH	1110 HURST STREET	CENTER	TX	75935	SHELBY	UNITED STATES	Not Required	Not Required	SHELBY SAVINGS BANK, SSB	552974	
Ok		Full Service	1403596	HEMPHILL BANKING CENTER	103 WORTH STREET	HEMPHILL	TX	75948	SABINE	UNITED STATES	Not Required	Not Required	SHELBY SAVINGS BANK, SSB	552974	
Ok		Full Service	5189580	PALESTINE BRANCH	2805 LOOP 256	PALESTINE	TX	75801	ANDERSON	UNITED STATES	Not Required	Not Required	SHELBY SAVINGS BANK, SSB	552974	
Ok		Full Service	1403587	SAN AUGUSTINE BANKING CENTER	710 WEST COLUMBIA	SAN AUGUSTINE	TX	75972	SAN AUGUSTINE	UNITED STATES	Not Required	Not Required	SHELBY SAVINGS BANK, SSB	552974	

SHELBY BANCSHARES, INC.
CENTER, TEXAS
DOMESTIC HOLDING COMPANY
ANNUAL REPORT F.R.Y-6
FISCAL YEAR ENDING DECEMBER 31, 2020
REPORT ITEM 3: SECURITIES HOLDERS
(1)a, b, c

NAME, CITY AND STATE	COUNTRY OF CITIZENSHIP	NUMBER & PERCENTAGE OF EACH CLASS OF VOTING SECURITIES
Janie Biddle Center, Texas	USA	6,218 – 7.065%*
Weldon Boles Center, Texas	USA	6,660 - 7.568%
Rick Campbell Center, Texas	USA	8,503 - 9.662%
Sammy or Barbara Dance Center, Texas	USA	6,904 - 7.845%
Angela Lee Koonce Center, Texas	USA	6,003 - 6.821%
Lisa McAdams Center, Texas	USA	5,100 - 5.795%
Brenda Hubble Shelbyville, Texas	USA	4,400 – 5.000%

* Janie Biddle owns 3,359 (3.817%) shares of stock. She is also Trustee for the Patrick E. Biddle Marital Trust and therefore has the power to vote the Trust's 2,859 (3.249%) shares of stock. Upon Mrs. Biddle's death, the stock in the trust will go to Patrick E. Biddle's children from a prior marriage and Mrs. Biddle's stock will go to her children from a prior marriage.

SHELBY BANCSHARES, INC.
CENTER, TEXAS
DOMESTIC HOLDING COMPANY
ANNUAL REPORT F.R.Y-6
FISCAL YEAR ENDING DECEMBER 31, 2020
REPORT ITEM 3: SECURITIES HOLDERS
(2)a, b, c - Security Holders not listed in 3(1)a,b,c that had ownership control or holdings of 5% or more with power to vote during the fiscal year ended December 31, 2020.

NAME, CITY AND STATE	COUNTRY OF CITIZENSHIP	NUMBER & PERCENTAGE OF EACH CLASS OF VOTING SECURITIES
C. Donald Monroe Center, Texas	USA	Before Treasury Stock Purchase 5,110 - 5.676% After Treasury Stock Purchase 4,110 – 4.670%

FRY-6
SHELBY BANCSHARES, INC.
Fiscal Year Ending December 31, 2019
Report Item 4: Insiders
(1), (2), (3), a, b, c and (4) a, b, c

(1) NAME, CITY AND STATE	(2) PRINCIPAL OCCUPATION IF OTHER THAN HOLDING COMPANY	(3)(a) TITLE & POSITION WITH HOLDING COMPANY	(3)(b) TITLE AND POSITION WITH SUBSIDIARIES	(3)(c) TITLE AND POSITION WITH OTHER BUSINESSES	(4)(a) % OF VOTING SHARES IN BANK HOLDING COMPANY	(4)(b) % OF VOTING SHARES IN SUBSIDIARIES	(4)(c) LIST NAMES OF OTHER COMPANIES (INCLUDING PARTNERSHIPS) IF 25% OR MORE OF VOTING SECURITIES ARE HELD
Rick Campbell	Businessman	Chairman/Director	Shelby Savings Bank	General Shelters of Texas, Ltd - Partner	9.6618%	None	N/A
Center, Texas			Chairman/Director	Ashton Wagyu, LLC - Managing Partner			Ashton Wagyu, LLC - 33%
USA				KCSC Solutions, LLC - Managing Partner			KCSC Solutions, LLC - 25%
				Campbell Mineral Trust - Managing Partner			Campbell Mineral Trust - 33%
Sammy Dance	Retired	Secretary/Director	Shelby Savings Bank	S.D. & B.W. Dance Living Trust - Trustee	(1) 7.8449%	None	S.D. & B.W. Dance Living Trust - 50%
Center, Texas	Businessman		Secretary/Director	Sammy Dance Timber Production - Owner			Sammy Dance Timber Production - 100%
USA							
Dixon Golden	Optometrist	Director	Shelby Savings Bank	David Dixon Golden, O.D., P.A. - Owner	3.4089%	None	David Dixon Golden, O.D., P.A. - 100%
Center, Texas			Director	Pineywoods Eye Associates, P.A. - Owner			Pineywoods Eye Associates, P.A. - 50%
USA				Golden Irrevocable Insurance Trust - Owner			Golden Irrevocable Insurance Trust - 100%
				Golden-Lehman Properties - Owner			Golden-Lehman Properties - 50%
				Golden-McCall Properties - Owner			Golden-McCall Properties - 50%
Howell Howard	Businessman	Director	Shelby Savings Bank	Triple H Farms, LLC dba East Texas	3.4089%	None	Triple H Farms, LLC dba East Texas
Center, Texas			Director	Poultry Supply - Owner			Poultry Supply - 100%
USA							
Lisa McAdams	Businesswoman	Director	Shelby Savings Bank	JLB-McAdams Enterprises Inc dba	5.7951%	None	JLB-McAdams Enterprises Inc dba
Center, Texas			Director	McAdams Propane – Owner			McAdams Propane Co - 51%
USA				Boles Enterprises, Inc. – Owner			Boles Enterprises, Inc - 25%
				Boles Family Insurance Trust - Trustee			Boles Family Insurance Trust - 100%
				Midstream Transportation - Partner			Midstream Transportation - 33.3%
Donald Monroe	Retired	Director	Shelby Savings Bank	CD Trading, LLC - Owner	4.6701%	None	CD Trading, LLC - 100%
Center, Texas	Businessman		Director				
USA							
William Lucas	Banker	President/CEO/	Shelby Savings Bank	A & W Farming and Leasing, LLC – VP/Sec	1.4249%	None	A & W Farming and Leasing, LLC - 50%
Center, Texas		Director	President/CEO/Director	Solomon Zane Allen Trust - Secretary			N/A
USA				Will Lucas Farming - Owner			Will Lucas Farming - 100%
John Snider	Banker	Vice Chairman/	Shelby Savings Bank	None	2.2726%	None	None
Center, Texas		Director	Vice Chairman/Director				
USA							
Laree Bounds	Banker	Sr Vice President/	Shelby Savings Bank	None	0.1079%	None	None
Joaquin, Texas		Treasurer/Asst Sec	Sr Vice President/				
USA			Treasurer/Assistant				
			Secretary				
Robert N Harris, Jr	Businessman	Director	Shelby Savings Bank	NH Rang, LP – Agent	2.4976%	None	NH Ranch, LP – 50%
San Augustine, Texas			Director	Robert and Roy Jo Harris Farms – Partner			Robert and Roy Jo Harris – 50%
USA							

(1) Shares owned jointly with Barbara Dance.