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, J. Raymond David, Sr.
Name of the Holding Company Director and Official

Trustee
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

3-22-21
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

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

December 31, 2020
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Pilot Point Bancorp, Inc. ESOP
Legal Title of Holding Company

P.O. Box 278
(Mailing Address of the Holding Company) Street / P O. Box

City	State	Zip Code
Pilot Point	TX	76258

200 S. Hwy 377, Pilot Point, TX 76258
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
J. Raymond David, Sr.	CEO

940-686-7000
Area Code / Phone Number / Extension

940-686-9326
Area Code / FAX Number

JRDavid@pointbank.com
E-mail Address

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

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

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

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

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

For Use By Tiered Holding Companies

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

Pilot Point Bancorp, Inc.
Legal Title of Subsidiary Holding Company

P.O. Box 278
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

Pilot Point	TX	76258
City	State	Zip Code

200 S. Hwy 377, Pilot Point, TX 76258
Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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City State Zip Code

Physical Location (if different from mailing address)

PILOT POINT BANCORP, INC. ESOP 12/31/2019

REPORT ITEM #1. Annual Report to Shareholders

Attached.

PILOTPOINT BANCORP INC.

March 18, 2021

To our fellow Shareholders,

The past year has been one of the most challenging times in the banking industry. Covid-19 disrupted the operations and methods of servicing our customers. Further, we were faced with the rapid deployment and multiple changes of the Paycheck Protection Program. The Bank's response to these issue has had record setting growth in the Bancorp's Total Consolidated Assets to $684,038,000. A growth of 22.48% over 2019. Customers are preferring the personal touch offered at community banks during the crisis.

This growth in conjunction with extra-ordinary income created from the Paycheck Protection Program and a gain on sales of Visa stock resulted in another record year for profits. Net income increased by $363,000 or 5.20% to $7,346,000. The return on average assets of 1.11% as stated on the Call Report is comparable to our UBPR peer group of 1.15%. This resulted in an increase in Total Stockholder's Equity of $$7,812,000 to $72,872,000.

The Covid-19 pandemic created the challenge of maintaining a safe environment for our employees and customers. Our goal was to maintain the customer service we are known for without jeopardizing the health of our employees. Our lobbies were limited to appointment only for a minimum time in April. We installed shields and social distancing markers throughout the lobby and respected state and local mandates.

Covid-19 also delayed the implementation of the new ITM technology from being completely deployed. It is expected to be functional this year and will allow for a more efficient experience for our customers while maintaining a personal touch. We are continuing to assess other software and hardware updates throughout the bank including additional cybersecurity software deployed in 2020 and a credit card expected to launch in spring 2021.

Despite these challenges we continued the winning tradition. We were awarded Best of Denton County for the 10th year in a row. We won in 3 categories (Business Bank, Business Networking, Personal Finance Bank). We also won Best of Denton, Best of 76266, and the Reader's Choice Award for Star Local Media in Lewisville and Flower Mound. For our community engagement we received the prestigious "Doing Well By Doing Good" award by MasterCard. We also continued to be a sources of knowledge and networking in our communities by offering our breakfast series online through Zoom meetings. This was a source for keeping up to date with our communities we serve.

Your Board of Directors, officers, and employees thank you, the shareholders and customers, for your patronage, trust, and steadfast loyalty.

Very truly yours,

J. Raymond David, Sr.
C.E.O. & President
Pilot Point Bancorp, Inc.

Ray David, Jr.
President
PointBank

Pilot Point Bancorp, Inc. • 200 S. Hwy. 377 • P.O. Box 278 • Pilot Point, Texas 76258 • (940) 686-5526 • Fax (940) 686-5536

OFFICERS AND DIRECTORS
December 31, 2020

POINTBANK DIRECTORS

J. Raymond David, Sr.
Ray David, Jr.
Jonathan David
Ann Powell Murphy
Bill Nelson
Charles Redfearn
Alan Strittmatter
David Fuller
Dean Ueckert
Robert David, Jr. (Ex-Officio)

POINTBANK OFFICERS

J. Raymond David, Sr. - CEO
Ray David, Jr. - President
Jonathan David – Chief Operating Officer/Chief Risk Officer
Cathy Ueckert - Executive Vice President/Customer Experience
Linda Jones – Executive Vice President of Customer Experience
Harish Sethi - Executive Vice President/Chief Financial Officer/Cashier/Information Security Officer
Greg Johnson - Information Technology Officer
Randy Robinson – Sr. Vice President/Regional Commercial Banking Officer
Dustin Holdge – SVP Sr. Lending Officer
Lewis Brooks – Sr. Vice President/Senior Credit Officer
Devin Weir – VP Assistant Sr. Credit Officer/Sr. Underwriter
Karen Songer - Vice President/BSA/AML/OFAC Officer/Identity Theft Prevention Coordinator (interim)
Mike Cockrell - Vice President/Compliance Officer
Liz Handsaker – Assistant Vice President/Administrative Assistant/Business Continuity Coordinator
Amy Kuhn - Vice President/Residential Lender
Debra Miller – Sr. Vice President/Regional Residential Lending Officer
Pam Bjork – Assistant Vice President/Human Resource Manager
Kathy Westfall – Assistant Vice President/Training Coordinator
Cindy Wolfe - Vice President/Loan Operations Manager
Joe Mendes - Vice President/Operations Manager
Patricia Strickland – Vice President/Operations Project Manager
Greg Pelzel - Vice President/Commercial Banker I
Amy Terzich - Vice President / Commercial Banker I
Roger Retzer – Vice President / Commercial Banker II
Chris Billingsley – Vice President / Commercial Banker II
Brittany Dowdy – Vice President/Lending Project Manager
Theresa Arnold - Assistant Vice President/Personal Banker
Melissa Major - Assistant Vice President/Teller Operations Manager
Adrian Nelson - Vice President/Branch Manager
Lisa Cave - Vice President/Branch Manager
Joshua Youngblood - Vice President/Branch Manager
Rachel Dean - Vice President/Branch Manager
Denise Gray - Vice President/Branch Manager
Judd Kearby –Vice President/Branch Manager
Aaron Benedict – Vice President/Branch Manager
Bobby Wall – Vice President / Branch Manager
Karen Navarro – Vice President / Branch Manager
Phil Buckmeier –Vice President/Consumer Lending Officer
Chase Medler –Vice President/Credit Analyst
Sandra Whitt –Assistant Vice President/Collections Officer
Valerie Armstrong – Assistant Vice President / Banker
Charlie Bruce – Assistant Vice President/Credit Analyst
Milly French – Assistant Vice President/Customer Care Manager
Dustin Fuller – Bank Security Officer

PILOT POINT BANCORP, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

WITH INDEPENDENT AUDITOR'S REPORT THEREON

PILOT POINT BANCORP, INC
AND SUBSIDIARY

TABLE OF CONTENTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

PILOT POINT BANCORP, INC.
AND SUBSIDIARY

Consolidated Financial Statements
and Additional Information

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Pilot Point Bancorp, Inc. and Subsidiary
Pilot Point, Texas

We have audited the accompanying consolidated financial statements of Pilot Point Bancorp, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon 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 of material misstatement.

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

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

Opinion

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

Payne & Smith, LLC

February 22, 2021

12240 Inwood Rd. • Suite 440 • Dallas, TX 75244 • 214 / 363-9927 • Fax 214 / 363-9980

PILOT POINT BANCORP INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2020 and 2019

(In thousands, Except for Share Amounts)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 157,295	$ 66,439
Securities available for sale	171,658	167,007
Loans	338,974	309,047
Bank premises and equipment	6,787	6,992
Accrued interest receivable	2,943	2,954
Other assets	6,381	6,040
	$ 684,038	$ 558,479
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 248,660	$ 181,270
Interest bearing	352,168	302,592
Total deposits	600,828	483,862
Debentures payable	6,100	6,100
Accrued interest payable	173	201
Other liabilities	4,065	3,256
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, $1.00 par value; 1,000,000 shares authorized, 144,424 shares issued and 114,492 shares outstanding at December 31, 2020 and 2019	145	145
Paid-in capital	1,924	1,924
Retained earnings	68,453	63,317
Accumulated other comprehensive income	5,334	2,658
	75,856	68,044
Treasury stock, at cost	(2,984)	(2,984)
Total stockholders' equity	72,872	65,060
	$ 684,038	$ 558,479

See accompanying notes to consolidated financial statements.

PILOT POINT BANCORP INC. AND SUBSIDIARY

Consolidated Statements of Income

For the Years Ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Interest income:		
Interest and fees on loans	$ 19,166	$ 18,492
Interest on investment securities	3,472	3,843
Other	604	1,206
Total interest income	23,242	23,541
Interest expense:		
Interest on deposit accounts	1,637	2,992
Other	310	276
Total interest expense	1,947	3,268
Net interest income	21,295	20,273
Provision for loan losses	825	125
Net interest income after provision for loan losses	20,470	20,148
Noninterest income:		
Service charges on deposit accounts	1,465	1,960
Net gain on sale of securities available for sale	5	-
Gain on sale of Visa equity stock	859	-
Automated teller machine and interchange income	1,173	1,211
Other	625	629
Total noninterest income	4,127	3,800
Noninterest expense:		
Salaries and employee benefits	11,745	11,093
Occupancy of bank premises	2,480	2,384
Net loss on sale of securities available for sale	-	14
Advertising expense	495	592
Supplies and postage expense	432	384
Telecommunication expense	339	409
Other	1,760	2,089
Total noninterest expense	17,251	16,965
Net income	$ 7,346	$ 6,983

See accompanying notes to consolidated financial statements.

PILOT POINT BANCORP INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Net income	$ 7,346	$ 6,983
Other comprehensive income (loss) on securities available for sale:		
Change in net unrealized gain (loss) during the period	2,681	3,518
Reclassification adjustment for net (gains) losses included in net income	(5)	14
Other comprehensive income	2,676	3,532
Total comprehensive income	$ 10,022	$ 10,515

See accompanying notes to consolidated financial statements.

PILOT POINT BANCORP INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2020 and 2019

(In thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
Balance January 1, 2019	$ 145	$ 1,924	$ 58,290	$ (874)	$ (2,984)	$ 56,501
Net income	-	-	6,983	-	-	6,983
Other comprehensive income	-	-	-	3,532	-	3,532
Distributions	-	-	(1,956)	-	-	(1,956)
Balance December 31, 2019	145	1,924	63,317	2,658	(2,984)	65,060
Net income	-	-	7,346	-	-	7,346
Other comprehensive income	-	-	-	2,676	-	2,676
Distributions	-	-	(2,210)	-	-	(2,210)
Balance December 31, 2020	$ 145	$ 1,924	$ 68,453	$ 5,334	$ (2,984)	$ 72,872

See accompanying notes to consolidated financial statements.

PILOT POINT BANCORP INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Net income	$ 7,346	$ 6,983
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	819	793
Provision for loan losses	825	125
Net amortization on securities available for sale	1,830	1,896
Net (gain) loss on sale of securities available for sale	(5)	14
Net gain on sale of Visa equity stock	(859)	-
Decrease (increase) in accrued interest receivable	11	(22)
Increase in other assets	(418)	(679)
(Decrease) increase in accrued interest payable	(28)	51
Increase (decrease) in other liabilities	809	(221)
Net cash provided by operating activities	10,330	8,940
Cash flows from investing activities:		
Purchases of securities available for sale	(29,191)	(27,374)
Proceeds from sales, maturities, calls and principal reductions of securities available for sale	25,391	28,375
Proceeds from sale of Visa equity stock	864	-
Net origination of loans	(30,752)	(9,361)
Net additions to bank premises and equipment	(542)	(756)
Net cash used in investing activities	(34,230)	(9,116)
Cash flows from financing activities:		
Increase (decrease) in demand deposit, NOW and savings accounts	108,768	(5,465)
Increase in certificates of deposit	8,198	4,932
Distributions	(2,210)	(1,956)
Net cash provided by (used in) financing activities	114,756	(2,489)
Net change in cash and cash equivalents	90,856	(2,665)
Cash and cash equivalents at beginning of year	66,439	69,104
Cash and cash equivalents at end of year	$ 157,295	$ 66,439

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Pilot Point Bancorp, Inc. (Bancorp) is a holding company that owns 100% of its subsidiary PointBank (Bank), collectively referred to as Company. The Bank is a commercial bank with its primary source of revenue derived from providing loans and banking services to consumers and commercial customers in Pilot Point, Texas and surrounding communities. Services are provided through the main bank and branches currently located in Pilot Point, Argyle, Aubrey, Corinth, Denton, Flower Mound, Lewisville, and Little Elm.

Basis of Accounting

Following is a summary of the significant accounting policies used by the Company in the preparation of its consolidated financial statements. The accounting policies conform to generally accepted accounting principles and practices generally followed within the banking industry.

Principles of Consolidation

The consolidated financial statements include the accounts of the Bancorp and the Bank. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in Preparation of Financial Statements

The preparation of consolidated 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 the disclosure of contingent assets and liabilities at the date of the consolidated 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 in the near-term relate to the determination of the allowance for loan losses and valuation of other real estate owned. While management uses available information to recognize losses on loans and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company's allowance for loan and other real estate losses. They may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

A significant portion of the Company's loans are secured by real estate and related assets located in local markets. Accordingly, the ultimate collectibility of this portion of the Company's loan portfolio is susceptible to changes in local market conditions.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, other short-term investments and federal funds sold. All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Debt Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held to maturity and securities available for sale below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers many factors, including (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Restricted Investment Securities

Restricted investment securities include Federal Home Loan Bank (FHLB) stock, Federal Reserve Bank stock and The Independent Bankers Bank stock, which are carried at cost on the consolidated balance sheets. These equity securities are restricted, in that they can only be sold back to the respective institution or another member institution at par. Therefore, they are less liquid than other marketable equity securities. The Company views its investment in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in value. No impairment has been recorded on these securities.

Loans

The Company grants commercial, real estate, agricultural, and consumer loans to customers. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in the area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are generally reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees associated with originating loans to the extent they exceed the direct loan origination costs are generally deferred and recognized over the life of the loan as an adjustment of yield.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, the Company considers the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Company's collateral position. Regulatory provisions typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest on nonaccrual loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment based on historical loss experience, current economic conditions, and performance trends.

Interest payments on impaired loans are typically applied to principal unless collectibility of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Troubled Debt Restructured (TDR) Loans

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

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses inherent in the loan portfolio. The allowance for possible loan losses includes allowance allocations calculated in accordance with ASC Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates, and the view of the regulatory authorities toward loan classifications.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general allocation is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity, and other financial and qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves, which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

COVID-19 Loan Deferments

Certain of the Company's borrowers are currently unable to meet their contractual payment obligations because of the adverse effects of COVID-19. To help mitigate these effects, loan customers may apply for a deferral of payments, or portions thereof, not to exceed six months. A portion of the Company's customers have requested such deferrals. In the absence of other intervening factors, such short-term modifications made on a good faith basis are not categorized as troubled debt restructurings, nor are loans granted payment deferrals related to COVID-19 reported as past due or placed on non-accrual status (provided the loans were not past due or on non-accrual status prior to the deferral). At December 31, 2020, there were approximately seven loans in COVID-19 related deferment with an aggregate outstanding balance of approximately $538,000.

Premises and Equipment

Land is carried at original cost. Bank premises, furniture and equipment, and leasehold improvements are carried at original cost less accumulated depreciation and amortization. Depreciation and amortization are computed principally by the straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the life of the respective lease or the estimated useful life of the improvements, whichever is shorter. Costs incurred for maintenance and repairs are expensed.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Revenue Recognition

Effective January 1, 2019, the Company adopted new policies related to revenue recognition with the adoption of Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The implementation of the new standard did not have a material impact on the measurement or recognition of revenue.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to non-interest revenue streams, such as deposit related fees, interchange fees, merchant income, and brokerage and investment advisory service commissions. The recognition of these revenue streams did not change significantly upon adoption of Topic 606.

Compensated Absences

Employees are entitled to paid vacations and sick days depending on job classifications, length of service, and other factors. Management is unable to reasonably estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying consolidated balance sheets. The Company's policy is to recognize the costs of compensated absences when actually paid.

Advertising Expenses

The Company expenses advertising costs as they are incurred.

Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss), which includes the change in unrealized gains and losses on securities available for sale.

Income Taxes

The Company files a consolidated Federal income tax return.

The Company with the consent of its stockholders has elected to be an S corporation under the Internal Revenue Code. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Following this election the Company will generally report no Federal income tax expense or benefit in its consolidated financial statements. Because the Company's stockholders are obligated to pay Federal income taxes on the earnings of the Company, the Company expects to declare cash dividends sufficient to fund stockholders' tax payments as they become due in the future.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company had maintained its S corporation status and had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2017.

Off-Balance Sheet Credit Related Financial Instruments

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

Fair Values of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures,* defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

Treasury Stock

Treasury stock is recorded at cost. At December 31, 2020 and 2019, the Company had 29,932 shares held in treasury.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through, February 22, 2021, the date the consolidated financial statements were available to be issued.

Global Pandemic

The Company's business has been and continues to be impacted by the ongoing outbreak of COVID-19. In March 2020, COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the President of the United States. Efforts to limit the spread of COVID-19 have led to shelter-in place orders, the closure of non-essential businesses, travel restrictions, supply chain disruptions and prohibitions on public gatherings, among other things, throughout many parts of the United States and, in particular, the markets in which the Company operates. As the current pandemic is ongoing and dynamic in nature, there are many uncertainties related to COVID-19 including, among other things, its ultimate geographic spread; its severity; the duration of the outbreak; the impact to the Company's customers, employees and vendors; the impact to the financial services and banking industry; and the impact to the economy as a whole. COVID-19 has negatively affected, and is expected to continue to negatively affect, the Company's business, financial position and operating results. The Company's financial position is susceptible to the ability of loan customers to meet loan obligations. In light of the uncertainties, the ultimate adverse impact of COVID-19 cannot be reliably estimated at this time.

Reclassification

Certain amounts previously reported have been reclassified to conform to the current format.

2. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The amendment to the Leases topic of the Accounting Standards Codification was to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amended guidance and subsequent updates require lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (i) A lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The amendment will be effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The update and subsequent updates require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as the credit quality and underwriting standards of an organization's portfolio. The guidance replaces the incurred loss model with a current expected loss model, which is referred to as the current expected credit loss (CECL) model. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In April 2019, The FASB issued Accounting Standards Update 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses (Topic 815), Derivatives and Hedging, and Financial Instruments* (*Topic 825*) to address certain codification improvements and to provide certain accounting policy electives related to accrued interest as well as the disclosure related to credit losses, among other things. In May 2019, the FASB issued Accounting Standards Update 2019-05, *Financial Instruments—Credit Losses* (*Topic 326*): *Targeted Transition Relief,* to provide transition relief in connection with the adoption of ASU 2016-03, whereby entities would have the option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The amendments for non-public business entities will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal year beginning after December 15, 2018. The Company has formed a CECL committee and is evaluating the impact this amendment will have on the Company's consolidated financial statements. The adoption of ASU 2016-13 is not expected to have a significant impact on the regulatory capital ratios. The ultimate impact of adoption could be significantly different than current expectation as modeling processes will be significantly influenced by the composition, characteristics and quality of the loan and securities portfolios as the prevailing economic conditions and forecasts as of that date, notwithstanding any further refinements to the expected credit loss models.

In January 2017, the FASB issued Accounting Standards Update 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The update simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2022. Early application is permitted. The adoption of ASU 2017-04 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The update provides optional expedients and exceptions for accounting related to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-4 was effective upon issuance and generally can be applied through December 31, 2022. The adoption of ASU 2020-04 did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued Accounting Standards Update 2020-08, *Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs.* The update clarifies the accounting for the amortization of purchase premiums for callable debt securities with multiple call dates. ASU 2020-08 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. The adoption of ASU 2020-08 is not expected to have a material impact on the Company's consolidated financial statements.

3. Statement of Cash Flows

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, loans made to customers and principal collections on those loans.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Cash transactions:		
Interest expense paid	$ 1,975	$ 3,217

4. Debt and Equity Securities

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2020 and 2019 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
December 31, 2020:				
State and political subdivisions	$ 157,261	$ 5,096	$ 10	$ 162,347
Mortgage-backed securities	9,063	248	-	9,311
	$ 166,324	$ 5,344	$ 10	$ 171,658
December 31, 2019:				
State and political subdivisions	$ 150,174	$ 2,652	$ 15	$ 152,811
Mortgage-backed securities	14,175	75	54	14,196
	$ 164,349	$ 2,727	$ 69	$ 167,007

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of debt securities at December 31, 2020 by contractual maturity are shown below (in thousands):

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 22,446	$ 22,520
Due from one year to five years	95,589	98,860
Due from five years to ten years	27,817	28,874
Due after ten years	20,472	21,404
	$ 166,324	$ 171,658

Securities carried at approximately $121,716,000 and $115,041,000 at December 31, 2020 and 2019, respectively, were pledged to secure public and trust deposits.

Proceeds from the sales of securities available for sale were approximately $729,000 and $2,053,000, respectively, for the years ended December 31, 2020 and 2019. Gross gains of approximately $6,000 and $2,000, respectively, were recognized on the sale of securities available for sale in 2020 and 2019. Gross losses of approximately $1,000 and $16,000, respectively, were recognized on the sale of securities available for sale during the years ended December 31, 2020 and 2019.

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2020 and 2019 are summarized as follows (in thousands):

	Less than 12 Months		12 Months or More		Total	
Securities Available for Sale	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 20120:						
State and political subdivisions	$ 3,293	$ 10	$ -	$ -	$ 3,293	$ 10
December 31, 2019:						
State and political subdivisions	$ 4,536	$ 11	$ 1,338	$ 4	$ 5,874	$ 15
Mortgage-backed securities	3,467	14	3,982	40	7,449	54
	$ 8,003	$ 25	$ 5,320	$ 44	$ 13,323	$ 69

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2020, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2020 and 2019, management believes the impairments detailed in the table above are temporary and no impairment loss has been recorded in the Company's consolidated income statements.

5. Loans and Allowance for Loan Losses

The Company's loan portfolio at December 31, 2020 and 2019, was categorized as follows (in thousands):

	2020	2019
Real estate	$ 234,402	$ 229,781
Commercial	94,197	67,479
Consumer and other	17,993	17,708
	346,592	314,968
Deferred loan fees	(1,672)	(841)
Allowance for loan losses	(5,946)	(5,080)
	$ 338,974	$ 309,047

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2020 and 2019, the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially affected by the general economic conditions of the region.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (Cares Act) was passed into law. Among other provisions, the Cares Act created the Payroll Protection Plan (PPP) for loans to small businesses to pay certain payroll, group health care benefit costs and qualifying mortgage, rent and utility payments. A second legislative act was passed into law on April 24, 2020 to provide additional funding to the PPP. The PPP is administered by the Small Business Administration (SBA). Under the PPP, a borrower may have a portion or all of its loan forgiven if the proceeds were for qualified expenditures within a "covered period." Loans deemed to meet the PPP criteria for loan forgiveness are reimbursed by the SBA. During 2020, the Bank funded approximately $42,528,000 of PPP loans and received reimbursement from the SBA of approximately $10,027,000. At December 31, 2020, the Bank had outstanding PPP loans of approximately $32,501,000 included in commercial loans. Management believes substantially all PPP loans outstanding at December 31, 2020 meet the criteria for loan forgiveness and expect to receive future reimbursement from the SBA.

Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE) for financial institutions. Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institution's total risk based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration. At December 31, 2020 and 2019, the Bank had total commercial real estate loans of approximately $189,092,000 and $178,892,000, respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 56% and 65%, respectively, of its total risk based capital at December 31, 2020 and 2019. The Bank had non-owner occupied commercial real estate loans representing 123% and 139%, respectively, of its total risk based capital for the years ending December 31, 2020 and 2019.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the year ended December 31, 2020 and 2019 is as follows (in thousands):

	Beginning Balance	Provision	Charge offs	Recoveries	Ending Balance
December 31, 2020:					
Real estate	$ 3,640	$ 271	$ -	$ 25	$ 3,936
Commercial	1,159	549	-	-	1,708
Consumer and other	281	5	(292)	308	302
	$ 5,080	$ 825	$ (292)	$ 333	$ 5,946
December 31, 2019:					
Real estate	$ 3,955	$ (338)	$ -	$ 23	$ 3,640
Commercial	995	209	(45)	-	1,159
Consumer and other	172	254	(343)	198	281
	$ 5,122	$ 125	$ (388)	$ 221	$ 5,080

The Company's individual allowance for loan losses (ALLL) allocations are established for probable losses on specific loans. The Company's collective ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics and on general economic conditions and other qualitative risk factors both internal and external to the Company. An analysis of the allowance for loan losses for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations			
					Collectively		
	Individually	Collectively	Total loans	Individually	Historical	Other	Total ALLL
December 31, 2020:							
Real estate	$ 330	$ 234,072	$ 234,402	$ -	$ 12	$ 3,924	$ 3,936
Commercial	166	94,031	94,197	-	26	1,682	1,708
Consumer and other	-	17,993	17,993	-	32	270	302
	$ 496	$ 346,096	$ 346,592	$ -	$ 70	$ 5,876	$ 5,946
December 31, 2019:							
Real estate	$ 517	$ 229,264	$ 229,781	$ -	$ 11	$ 3,629	$ 3,640
Commercial	215	67,264	67,479	-	19	1,140	1,159
Consumer and other	-	17,708	17,708	-	32	249	281
	$ 732	$ 314,236	$ 314,968	$ -	$ 62	$ 5,018	$ 5,080

Impaired Loans

Impaired loans include loans modified in troubled debt restructurings (TDRs) where concessions have been granted to borrowers experiencing financial difficulties. At December 31, 2020 and 2019, impaired loans include $28,000 and $122,000, respectively, of performing TDRs. There was no significant interest earned on impaired loans during 2020 and 2019. The Company's impaired loans and related allowance at December 31, 2020 and 2019 is summarized in the following table (in thousands):

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total	Related Allowance
December 31, 2020:					
Real estate	$ 366	$ 330	$ -	$ 330	$ -
Commercial	188	166	-	166	-
Consumer	-	-	-	-	-
	$ 554	$ 496	$ -	$ 496	$ -
December 31, 2019:					
Real estate	$ 584	$ 517	$ -	$ 517	$ -
Commercial	222	215	-	215	-
Consumer	-	-	-	-	-
	$ 806	$ 732	$ -	$ 732	$ -

Average impaired loans during 2020 and 2019 were approximately $610,000 and $627,000, respectively.

Past Due and Nonaccrual Loans

The following is a summary of current and past due loans at December 31, 2020 and 2019, (in thousands):

	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Past Due 90 Days or More Nonaccrual	Total Past Due and Nonaccrual
December 31, 2020:				
Real estate	$ -	$ -	$ 302	$ 302
Commercial	-	-	166	166
Consumer	14	-	-	14
	$ 14	$ -	$ 468	$ 482
December 31, 2019:				
Real estate	$ 209	$ -	$ 395	$ 604
Commercial	89	-	215	304
Consumer	10	-	-	10
	$ 308	$ -	$ 610	$ 918

Approximately $29,000 and $44,000, respectively, of additional interest would have been recognized on impaired nonaccrual loans if the loans had been on accrual status during 2020 and 2019.

As stated in Note 1, at December 31, 2020 there are approximately $538,000 of loans related to COVID-19 deferments that are not included in the above schedule.

Troubled Debt Restructurings

At December 31, 2020 and 2019, TDRs totaled approximately $496,000 and $669,000, respectively. The Company had not allocated any specific reserves in regard to these loans at December 31, 2020 and 2019. The Company is not committed to lend additional funds to debtors whose loans have been modified.

During the year ended December 31, 2020, the Company did not have any loans which were modified as a TDR. During the year ended December 31, 2019, the Company had two commercial loans and one real estate loan which were modified as TDRs. The modifications were to extend the maturity or modify the terms. The TDRs had a total principal balance of approximately $566,000 before and after the restructure. The restructurings did not significantly impact the determination of the allowance for loan losses.

A TDR is considered to be in payment default once it is 30 days contractually past due under the modified terms. During the years ended December 31, 2020 and 2019, the Company had no TDRs that subsequently defaulted within twelve months following their modification.

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. The Company uses the following definitions for risk ratings:

Pass

Loans classified as pass are loans with low to average risk.

Special Mention

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

Substandard

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

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as 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.

As of December 31, 2020 and 2019, based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2020:					
Real estate	$ 233,597	$ -	$ 805	$ -	$ 234,402
Commercial	94,031	-	166	-	94,197
Consumer	17,912	-	81	-	17,993
	$ 345,540	$ -	$ 1,052	$ -	$ 346,592
December 31, 2019:					
Real estate	$ 228,696	$ -	$ 1,085	$ -	$ 229,781
Commercial	63,931	2,868	680	-	67,479
Consumer	17,708	-	-	-	17,708
	$ 310,335	$ 2,868	$ 1,765	$ -	$ 314,968

6. Bank Premises and Equipment

Bank premises and equipment at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Land	$ 2,854	$ 2,854
Buildings and improvements	7,857	7,807
Furniture and equipment	4,654	5,288
	15,365	15,949
Accumulated depreciation	(8,578)	(8,957)
	$ 6,787	$ 6,992

7. Other Assets

Other assets at December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Prepaid expenses	$ 1,176	$ 852
Cash surrender value of life insurance	3,223	3,281
Nonmarketable equity securities	1,277	1,174
Supplies on hand	62	75
Other assets	643	658
	$ 6,381	$ 6,040

8. Deposits

Deposits at December 31, 2020 and 2019 are summarized as follows (in thousands):

	2020		2019	
	Amount	Percent	Amount	Percent
Noninterest bearing demand accounts	$ 248,660	41.4	$ 181,270	37.5
Interest bearing accounts	255,395	42.5	221,050	45.7
Savings accounts	44,499	7.4	37,466	7.8
Certificates of deposit, less than $250,000	22,496	3.7	28,767	5.9
Certificates of deposit, $250,000 and greater	29,778	5.0	15,309	3.1
	$ 600,828	100.0	$ 483,862	100.0

Included in deposits, at December 31, 2020 and 2019, respectively, are deposits related to one customer totaling approximately $41,063,000 and $44,796,000, representing 7% and 9% of total deposits.

The Company had approximately $1,480,000 and $1,133,000 in brokered deposits at December 31, 2020 and 2019, respectively.

At December 31, 2020, scheduled maturities of certificates of deposit accounts are as follows (in thousands):

Less than one year	$ 50,306
One to three years	1,968
Over three years	-
	$ 52,274

9. Other Borrowings

Debentures

The Company has debentures payable of approximately $6,100,000 at December 31, 2020 and 2019. At December 31, 2020 and 2019, the debentures are unsecured subordinated promissory notes with a fixed rate of 4.00% payable in quarterly interest payments through June 30, 2021 at which time principal and interest will be due quarterly through maturity on March 31, 2026. Included in debentures payable, are amounts due related parties (see Note 11) of $2,350,000 at December 31, 2020 and 2019.

At December 31, 2020, the scheduled repayment of principal due is as follows (in thousands):

Year	Amount
2021	$ 610
2022	1,220
2023	1,220
2024	1,220
2025	1,220
Thereafter	610
	$ 6,100

Federal Home Loan Bank

The Bank has a line of credit with the Federal Home Loan Bank (FHLB) to provide liquidity. Advances from the FHLB are secured by FHLB stock, investment securities, deposits with the FHLB, and qualifying loans. During 2020 and 2019, the Company did not have any borrowings from the FHLB. Therefore, no loans or investments were pledged during these periods. At December 31, 2020, the Company has available borrowings of approximately $137,909,000.

The Company is required to maintain specified levels of FHLB stock to qualify for membership in the FHLB system. This restricted investment is accounted for at cost.

Other

The Company has a line of credit (LOC) under which it can borrow up to $10,000,000 with TIB – The Independent Bankers Bank and Truist Bank (formerly SunTrust Bank) and $12,000,000 with Amegy Bank. There were no amounts advanced under these LOCs at December 31, 2020 and 2019.

10. Employee Benefits Plan

401(k) Plan

Effective January, 1 1981, the Company established the Pilot Point Bancorp, Inc. Employee Stock Ownership and 401(k) Plan. The Plan operated, in part, as a leveraged employee stock ownership plan ("ESOP component") and a 401(k) plan ("Non-ESOP portion") designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended ("IRC") and was subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

On July 6, 2017, the Company adopted a resolution to spinoff the employee stock ownership (ESOP) component of the Plan into a stand-alone employee stock ownership plan (ESOP Plan) effective January 1, 2017. In connection with the formation of the ESOP Plan, the Company changed the name of the Pilot Point Bancorp, Inc. Employee Stock Ownership and 401(k) Plan to the Pilot Point Bancorp, Inc. 401(k) Plan.

Under the 401(k) Plan, eligible employees may defer up to 100% of eligible compensation under the Plan each year subject to certain limits based on federal tax laws. The Company may make discretionary matching contributions and profit sharing contributions determined annually by the Board of Directors. Employer contributions for 2020 and 2019 were approximately $551,000 and $516,000, respectively.

ESOP Plan

On July 6, 2017, the Company created the Pilot Point Bancorp, Inc. Employee Stock Ownership Plan (ESOP Plan) with an effective date of January 1, 2017. Accordingly, the Company's stock held by the ESOP component of the 401(k) plan was transferred to the newly formed ESOP Plan. Upon formation of the ESOP Plan, all participant accounts became 100% vested in their ESOP account balances on January 1, 2017. Additionally, effective January 1, 2017, the ESOP Plan was frozen and accordingly, no new participants will be allowed to join the ESOP Plan.

The ESOP Plan received approximately $520,000 and $465,000, respectively, in dividends on the Company's shares held by the plan during the years ended December 31, 2020 and 2019.

Director Deferred Income Plan

The Company has a Director Deferred Income Plan (DDI Plan), a nonqualified deferred compensation plan, which provides deferral of all or part of directors' fees earned by DDI Plan participants. The deferral period is the greater of five years or until retirement. Life insurance contracts have been purchased which may be used to fund DDI Plan obligations. There was no significant expense under the plan during 2020 and 2019.

Executive Supplemental Income Plan

The Company has an Executive Supplemental Income Plan (ESI Plan), a nonqualified defined benefit plan, which provides death and retirement benefits to certain employees. The benefits are based on years of service and the employee's compensation. Life insurance contracts have been purchased which may be used to fund future ESI Plan obligations. The Company's expense for 2020 and 2019 totaled approximately $206,000 and $167,000, respectively. The Company has an accrued liability related to the ESI Plan at 2020 and 2019 of approximately $1,112,000 and $1,093,000, respectively, included in other liabilities the accompanying consolidated balance sheets.

11. Related Party Transactions

The Company's officers, directors, and their associates, including corporations and firms of which they and their families have ownership interest, are customers of the Company. These persons, corporations and firms have had transactions in the ordinary course of business with the Company, all of which were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and did not involve more than the normal risk of collectability or present other unfavorable features. The Company expects to have such transactions on similar terms with its officers, directors, and their associates in the future.

An analysis of related party loans at December 31, 2020 and 2019 is as follows (in thousands):

	2020	2019
Balance at beginning of year	$ 589	$ 753
New loans	275	82
Repayments	(223)	(246)
Balance at end of year	$ 641	$ 589

As discussed in Note 9, the Company had debentures payable to related parties in the amount of $2,350,000 at December 31, 2020 and 2019.

12. Financial Instruments with Off-Balance Sheet Risk

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. At December 31, 2020 and 2019, the approximate amounts of these financial instruments were as follows (in thousands):

	2020	2019
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 69,119	$ 70,984
Standby letters of credit	475	287
	$ 69,594	$ 71,271

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral and the nature of such collateral is essentially the same as that involved in making commitments to extend credit.

Although the maximum exposure to loss is the amount of such commitments, management currently anticipates no material losses from such activities.

13. Significant Group Concentrations of Credit Risk

Most of the Company's business activity is with customers located within Texas. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

The contractual amounts of credit related financial instruments such as commitments to extend credit and letters of credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless.

At December 31, 2020 and 2019, the Company has a concentration of funds on deposit at various correspondent banks. The nature of the Company's business requires that it maintain amounts at due from banks which, at times, may exceed federally insured limits. The Company has not experienced nor do they anticipate any losses from such accounts.

14. Fair Value Disclosures

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019 are as follows (in thousands):

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
December 31, 2020:			
Securities available for sale (1)	$ -	$ 171,658	$ -
December 31, 2019:			
Securities available for sale (1)	$ -	$ 167,007	$ -

(1) Securities are measured at fair value on a recurring basis, generally monthly.

Certain financial and non-financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table summarizes financial assets and non-financial assets, measured at fair value on a non-recurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2020:				
Financial assets - impaired loans	$ -	$ -	$ 496	$ 496
December 31, 2019:				
Financial assets - impaired loans	$ -	$ -	$ 732	$ 732

During the years ended December 31, 2020 and 2019, certain impaired loans were remeasured and reported at fair value of the underlying collateral. For the years ended December 31, 2020 and 2019, impaired loans with a carrying value of approximately $496,000 and $732,000, respectively, with no specific valuation allowance allocations, were based on collateral valuations utilizing Level 3 valuation inputs.

Foreclosed assets are valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third-party appraisals, less estimated costs to sell. Appraisals based upon comparable sales result in a Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Other real estate owned (OREO) is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above. The Company had no OREO during the years ended December 31, 2020 and 2019.

15. Commitments and Contingencies

The Company is involved in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial position or results of operations of the Company. The Company does not anticipate any material losses as a result of commitments and contingent liabilities.

16. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020 and 2019, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2020 and 2019, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Additionally, Basel III added a 2.5% "capital conservation buffer" which was designed for banking institutions to absorb losses during periods of economic stress. Banking institutions with capital ratios below the minimum for capital adequacy purposes plus the capital conservation buffer may face constraints on dividends, equity repurchases and executive compensation relative to the amount of the shortfall.

Actual and required capital amounts and ratios at December 31, 2020 and 2019 are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum for Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:								
Total capital to risk weighted assets	$ 70,513	18.81%	$ 29,993	8.00%	$39,366	10.50%	$ 37,492	10.00%
Tier 1 (core) capital to risk weighted assets	65,811	17.55%	22,495	6.00%	31,868	8.50%	29,993	8.00%
Common Tier 1 (CET1)	65,811	17.55%	16,871	4.50%	26,244	7.00%	24,370	6.50%
Tier 1 (core) capital to average assets	65,811	10.04%	26,222	4.00%	26,222	4.00%	32,777	5.00%
December 31, 2019:								
Total capital to risk weighted assets	$ 65.568	18.40%	$ 28,513	8.00%	$37.424	10.50%	$ 35,642	10.00%
Tier 1 (core) capital to risk weighted assets	61.106	17.15%	21,385	6.00%	30,295	8.50%	28,513	8.00%
Common Tier 1 (CET1)	61,106	17.15%	16,039	4.50%	24,949	7.00%	23,167	6.50%
Tier 1 (core) capital to average assets	61,106	11.22%	21,794	4.00%	21,794	4.00%	27,243	5.00%

Payne & Smith, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
Pilot Point Bancorp, Inc. and Subsidiary
Pilot Point, Texas

We have audited the consolidated financial statements of Pilot Point Bancorp, Inc. and Subsidiary as of and for the year ended December 31, 2020, and have issued our report thereon dated February 22, 2021 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 29 and 30 is presented for the purpose 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.

Payne & Smith, LLC

February 22, 2021

12240 Inwood Rd. • Suite 440 • Dallas, TX 75244 • 214 / 363-9927 • Fax 214 / 363-9980

PILOT POINT BANCORP INC. AND SUBSIDIARY

Consolidating Balance Sheet

December 31, 2020

(In thousands)

	Pilot Point Bancorp, Inc.	PointBank	Eliminations		Consolidated
ASSETS					
Cash and cash equivalents	$ 2,981	$ 157,295	$ (2,981)	(a)	$ 157,295
Securities available for sale	-	171,658	-		171,658
Investment in subsidiary	71,145	-	(71,145)	(b)	-
Loans	-	338,974	-		338,974
Bank premises and equipment	4,910	1,877	-		6,787
Accrued interest receivable	-	2,943	-		2,943
Other assets	-	6,381	-		6,381
	$ 79,036	$ 679,128	$ (74,126)		$ 684,038
LIABILITIES AND STOCKHOLDERS EQUITY					
Deposits:					
Noninterest bearing	$ -	$ 251,641	$ (2,981)	(a)	$ 248,660
Interest bearing	-	352,168	-		352,168
Total deposits	-	603,809	(2,981)		600,828
Debentures payable	6,100	-	-		6,100
Accrued interest payable	61	112	-		173
Other liabilities	3	4,062	-		4,065
Commitments and contingencies	-	-	-		-
Stockholders' equity:					
Common stock	145	356	(356)	(b)	145
Paid-in capital	1,924	14,659	(14,659)	(b)	1,924
Retained earnings	68,453	50,796	(50,796)	(b)	68,453
Accumulated other comprehensive income	5,334	5,334	(5,334)	(b)	5,334
Treasury stock, at cost	(2,984)	-	-		(2,984)
Total stockholders' equity	72,872	71,145	(71,145)		72,872
	$ 79,036	$ 679,128	$ (74,126)		$ 684,038

See description of consolidating entries on page 31 and accompanying independent auditor's report on additional information.

PILOT POINT BANCORP INC. AND SUBSIDIARY

Consolidating Statement of Income and Comprehensive Income

For the Year Ended December 31, 2020

(In thousands)

	Pilot Point Bancorp, Inc.	PointBank	Eliminations	Consolidated
Interest income:				
Interest and fees on loans	$ -	$ 19,166	$ -	$ 19,166
Interest on investment securities	-	3,472	-	3,472
Other	-	604	-	604
Total interest income	-	23,242	-	23,242
Interest expense:				
Interest on deposit accounts	-	1,637	-	1,637
Other	244	66	-	310
Total interest expense	244	1,703	-	1,947
Net interest income	(244)	21,539	-	21,295
Provision for loan losses	-	825	-	825
Net interest income (loss) after provision for loan losses	(244)	20,714	-	20,470
Noninterest income:				
Service charges on deposit accounts	-	1,465	-	1,465
Dividend income	2,207	-	(2,207) (c)	-
Equity in undistributed earnings of subsidiary	4,705	-	(4,705) (d)	-
Net gain on sale of securities available for sale	-	5	-	5
Gain on sale of Visa equity stock	-	859	-	859
Automated teller machine and interchange expense	-	1,173	-	1,173
Other	808	568	(751) (e)	625
Total noninterest income	7,720	4,070	(7,663)	4,127
Noninterest expense:				
Salaries and employee benefits	-	11,745	-	11,745
Occupancy of bank premises	122	3,109	(751) (e)	2,480
Advertising expense	-	495	-	495
Supplies and postage expense	-	432	-	432
Telecommunication expense	-	339	-	339
Other	8	1,752	-	1,760
Total noninterest expense	130	17,872	(751)	17,251
Net income	7,346	6,912	(6,912)	7,346
Other comprehensive income on securities available for sale:				
Change in net unrealized gain (loss) during the period	2,681	2,681	(2,681) (f)	2,681
Reclassification adjustment for net gains included in net income	(5)	(5)	5 (f)	(5)
Other comprehensive income	2,676	2,676	(2,676)	2,676
Total comprehensive income	$ 10,022	$ 9,588	$ (9,588)	$ 10,022

See description of consolidating entries on page 31 and accompanying independent auditor's report on additional information.

Description of Consolidating Entries

For the Year Ended December 31, 2020

(a) To eliminate intercompany cash and deposits.

(b) To eliminate investment accounts against the stockholder's equity of the consolidated subsidiary.

(c) To eliminate dividends from subsidiary.

(d) To eliminate equity in undistributed earnings of subsidiary.

(e) To eliminate rental income against the occupancy expense of the consolidated subsidiary.

(f) To eliminate the change in net unrealized gain (loss) during the period included in other comprehensive income and the reclassification adjustment for net gains included in net income.

PILOT POINT BANCORP, INC. ESOP 12/31/2020

REPORT ITEM #2a

PILOT POINT BANCORP, INC, ESOP
ORGANIZATION CHART

PILOT POINT BANCORP, INC. ESOP
Pilot Point, Texas
Incorporated in Texas
LEI: None

PILOT POINT BANCORP, INC
Pilot Point, Texas
Incorporated in Texas
LEI: None

POINTBANK
Pilot Point, Texas
Incorporated in Texas
LEI: NONE

Pilot Point Bancorp, Inc. ESOP owns 22% of Pilot Point Bancorp Inc.
Pilot Point Bancorp, Inc. owns 100% of PointBank

Results: A list of branches for your depository institution: POINTBANK (ID_RSSD: 844567)
This depository institution is held by PILOT POINT BANCORP, INC. ESOP (3353837) of PILOT POINT, 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)	844567	POINTBANK	200 SOUTH HIGHWAY 377	PILOT POINT	TX	76258-9264	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	3614426	ARGYLE BRANCH	302 NORTH HIGHWAY 377	ARGYLE	TX	76226	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	10269	AUBREY BRANCH	922 SOUTH HIGHWAY 377	AUBREY	TX	76227	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	2991483	LAKE CITIES BRANCH	3971 FM 2181	CORINTH	TX	76210	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	1951903	DENTON NORTH BRANCH	1700 NORTH CARROLL BLVD	DENTON	TX	76201	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	2242215	DENTON SOUTH BRANCH	525 SOUTH INTERSTATE 35 EAST	DENTON	TX	76205	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	3799109	FLOWER MOUND BRANCH	4920 LONG PRAIRIE ROAD	FLOWER MOUND	TX	75028	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	2650258	LEWISVILLE BRANCH	915 WEST MAIN STREET	LEWISVILLE	TX	75067	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	3271931	LITTLE ELM BRANCH	2103 EAST ELDORADO PARKWAY	LITTLE ELM	TX	75068-3246	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	

Results: A list of branches for your depository institution: POINTBANK (ID_RSSD. 844567).
This depository institution is held by PILOT POINT BANCORP, INC. (1135691) of PILOT POINT, 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

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* 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)	844567	POINTBANK	200 SOUTH HIGHWAY 377	PILOT POINT	TX	76258-9264	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	3614426	ARGYLE BRANCH	302 NORTH HIGHWAY 377	ARGYLE	TX	76226	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	10269	AUBREY BRANCH	922 SOUTH HIGHWAY 377	AUBREY	TX	76227	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	2991483	LAKE CITIES BRANCH	3971 FM 2181	CORINTH	TX	76210	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	1951903	DENTON NORTH BRANCH	1700 NORTH CARROLL BLVD	DENTON	TX	76201	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	2242215	DENTON SOUTH BRANCH	525 SOUTH INTERSTATE 35 EAST	DENTON	TX	76205	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	3799109	FLOWER MOUND BRANCH	4920 LONG PRAIRIE ROAD	FLOWER MOUND	TX	75028	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	2650258	LEWISVILLE BRANCH	915 WEST MAIN STREET	LEWISVILLE	TX	75067	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	
OK		Full Service	3271931	LITTLE ELM BRANCH	2103 EAST ELDORADO PARKWAY	LITTLE ELM	TX	75068-3246	DENTON	UNITED STATES	Not Required	Not Required	POINTBANK	844567	

Form FR Y-6

PILOT POINT BANCORP, INC. ESOP
PILOT POINT , TEXAS
Fiscal Year Ending 12/31/2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2020			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12/31/2020 (but not at fiscal year-end)		
(1)(a) Name & Address (City, State, Country)	**(1)(b)** Country of Citizenship or Incorporation	**(1)(c)** Number and Percentage of Each Class of Voting Securities	**(2)(a)** Name & Address (City, State, Country)	**(2)(b)** Country of Citizenship or Incorporation	**(2)(c)** Number and Percentage of Each Class of Voting Securities
J. Raymond David, Sr. (Trustee) Pilot Point, Texas, USA	USA	** **	N/A	N/A	N/A

Section 10.19 Voting Company Stock. The Trustee shall vote all Company Stock held by it as part of the Plan assets at such time and such manner as the Administrator shall direct.

**Information is recorded in the confidential volume

Form FR Y-6

PILOT POINT BANCORP, INC. ESOP
PILOT POINT , TEXAS
Fiscal Year Ending 12/31/2020

Report Item 4: Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with holding company	(3)(a) Title/Position with holding company	(3)(b) Title/Position with Subsidiaries (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
J. Raymond David, Sr. Pilot Point, TX USA	Banker	Trustee	CEO Director PointBank	**	**	**	**
			CEO Director Pilot Point Bancorp Inc.				**
Joseph Raymond David, Jr. Highland Village, TX USA	Banker	Trustee	President Director PointBank	**	**	**	**
			Treasurer Director Pilot Point Bancorp Inc.				**
Alan Strittmatter Pilot Point, Texas, USA	Water Well Driller and Irrigation Installer	Trustee	Director PointBank	**	**	**	**
Bill Nelson Highland Village, Texas, USA	Real Estate	Trustee	Director PointBank	**	**	**	**
				**			**
				**			**
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Form FR Y-6

PILOT POINT BANCORP, INC.
PILOT POINT, TEXAS
Fiscal Year Ending December 31, 2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2020			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12/31/2020		
(1)(a) Name & Address (City, State, Country)	**(1)(b)** Country of Citizenship or Incorporation	**(1)(c)** Number and Percentage of Each Class of Voting Securities	**(2)(a)** Name & Address (City, State, Country)	**(2)(b)** Country of Citizenship or Incorporation	**(2)(c)** Number and Percentage of Each Class of Voting Securities
Pilot Point Bancorp Inc. ESOP Pilot Point, Texas, USA	USA	** 22%	Strittmatter Family Trust Bernice Strittmatter, Trustee Pilot Point, Texas, USA	USA	**
J. Raymond David, Sr. Pilot Point, Texas, USA	USA	** **			
Robert David, Jr. or Alice David Pilot Point, Texas, USA	USA	** **			
J. Nolan or Ann Murphy Gainesville, Texas, USA	USA	** **			

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Form FR Y-6

PILOT POINT BANCORP, INC.
PILOT POINT, TEXAS
Fiscal Year Ending December 31, 2020

Report Item 4: Insiders

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Pilot Point Bancorp, Inc. ESOP Pliot Point, Texas USA	N/A	N/A	N/A	**	**	0	**
J. Raymond David, Sr. Pliot Point, Texas USA	Banker	CEO Director President	CEO Director PointBank	** ** ** **	** **	0	** ** ** **
Joseph Raymond David, Jr. Highland Village, Texas, USA	Banker	Director Treasurer	President Director PointBank	**	**	0	**
Jonathan M. David Highland Village, Texas, USA	Banker	Director Secretary	Exec. Vice Pres. Chief Lending Officer PointBank	** ** ** ** ** **	** ** **	0	** ** ** ** ** **

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PILOT POINT, TEXAS
Fiscal Year Ending December 31, 2020

Report Item 4: Insiders

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Charles L. Redfearn Aubrey, Texas, USA	Janitorial Services Professional	Director	Director PointBank	** ** ** **	**	0	** ** ** **
Robert David, Jr. Pilot Point, Texas, USA	Retired Ford Dealer	Director	Director PointBank	** **	**	0	**
Ann Powell Murphy Fort Worth, Texas, USA	Housewife	Director	Director PointBank	**	**	0	**
Alan Strittmatter Pilot Point, Texas, USA	Water Well Driller and Irrigation Installer	Director	Director PointBank	**	**	0	**

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PILOT POINT, TEXAS
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Report Item 4: Insiders

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Bill Nelson Highland Village, Texas, USA	Real Estate	Director	Director PointBank	** ** ** ** ** **	**	0	** ** ** ** ** **
Harold Dean Ueckert Lewisville, Texas, USA	Insurance	Director	Director PointBank	**	**	0	N/A
Cathy Ueckert Lewisville, Texas, USA	Banker	N/A	Executive Vice Pres. PointBank	N/A	**	0	N/A
David Fuller Hodgen, Oklahoma, USA	Retired Banker	Director	Director PointBank	N/A	**	0	N/A
Rachel L. David Sanger, Texas, USA	Events Coordinator	N/A	Shareholder	N/A	**	0	N/A

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Form FR Y-6

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PILOT POINT, TEXAS
Fiscal Year Ending December 31, 2020

Report Item 4: Insiders

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Lisa Blackshear Highland Village, Texas, USA	Accountant	N/A	Shareholder	N/A	**	0	N/A
John L. Pelzel, Jr. Fort Worth, Texas, USA	Retired Bell Helicopter	N/A	Shareholder	N/A	**	0	N/A
Jim Lang Pilot Point, Texas, USA	Field Manager	N/A	Shareholder	N/A	**	0	N/A
Jeffrey Wynne North Richland Hills, Texas, USA	Logistics	N/A	Shareholder	N/A	**	0	N/A
Jayson David Pilot Point, Texas, USA	Real Estate	N/A	Shareholder	** ** ** ** ** ** ** **	**	0	** ** ** ** ** ** ** **

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Jeremy David Valley View, Texas, USA	Financial Planner	N/A	Shareholder	** ** ** **	**	0	** ** ** **
Monica David Pilot Point, Texas, Usa	Retired Nurse	N/A	Shareholder	N/A	**	0	N/A
Virginia Pelzel Pilot Point, Texas, USA	Retired Banker	N/A	Shareholder	N/A	**	0	N/A
Alois Pelzel Pilot Point, Texas, Usa	Retired Baeber	N/A	Shareholder	N/A	**	0	N/A

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