FR Y-6 Annual Report of Bank Holding Companies

Prepared for:
PAINT ROCK BANCSHARES, INC.

P.O. Box 247
PAINT ROCK, TEXAS 76866

December 31, 2020

Hamby & Hengeli LLC

2909 Sherwood Way, Suite 204
San Angelo, Texas 76901-3558
(325) 949-2567

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, Dean McIntyre
Name of the Holding Company Director and Official

Director/Vice Chairman
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

March 4, 2021
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

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

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

Reporter's Name, Street, and Mailing Address

Paint Rock Bancshares, Inc.
Legal Title of Holding Company

PO Box 247
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Paint Rock	TX	76866

245 West Moss Street
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Robert L Hamby	CPA

325 949-2567
Area Code / Phone Number / Extension

325 949-2567
Area Code / FAX Number

Robert@hambyhengeli.com
E-mail Address

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

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

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

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

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

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.

NONE
Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

Physical Location (if different from mailing address)

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Physical Location (if different from mailing address)

Form FR Y-6

PAINT ROCK BANCSHARES, INC.
Paint Rock, Texas

Fiscal Year Ending December 31, 2020

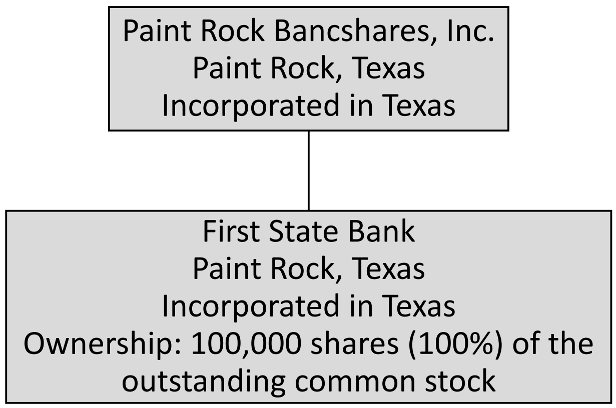
Report Item

No entity has a LEI number.

1 : a The BHC is not required to submit Form 10K with the SEC.

1 : b Is included with the FR Y-6 report.

2 : Organizational Chart:



2 : b Domestic branch listing included in this report.

Results: A list of branches for your depository institution: FIRST STATE BANK (ID_RSSD: 719964).
This depository institution is held by PAINT ROCK BANCSHARES, INC. (3938720) of PAINT ROCK, 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	12/31/2020	Full Service (Head Office)	719964	FIRST STATE BANK	TRUHART & MOSS	PAINT ROCK	TX	76866	CONCHO	UNITED STATES	Not Required	Not Required	FIRST STATE BANK	719964	
OK	12/31/2020	Full Service	2585659	SMITH BOULEVARD BRANCH	402 SMITH BOULEVARD	SAN ANGELO	TX	76905	TOM GREEN	UNITED STATES	Not Required	Not Required	FIRST STATE BANK	719964	

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PAINT ROCK BANCSHARES, INC.
Paint Rock, 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	**(1)(b) Country of Citizenship**	**(1)(c) Number and Percentage of Each Class of Voting Securities**	**(2)(a) Name & Address**	**(2)(b) Country of Citizenship**	**(2)(c) Number and Percentage of Each Class of Voting Securities**
Mikeska Family Total San Angelo, TX	USA	13,998 Shares 14.04% Common Stock	N/A	N/A	N/A
Brent or Scarlotte Mikeska (Mikeska Family) San Angelo, TX	USA	5,586 Shares 5.60% Common Stock	N/A	N/A	N/A
Brent Mikeska (Mikeska Family) San Angelo, TX	USA	2,426 Shares 2.44% Common Stock	N/A	N/A	N/A
Bill and Candice Mikeska (Mikeska Family) San Angelo, TX	USA	481 Shares .48% Common Stock	N/A	N/A	N/A
Bill Mikeska (Mikeska Family) San Angelo, TX	USA	2,500 Shares 2.51% Common Stock	N/A	N/A	N/A
Brenda or Tom Chapman (Mikeska Family) San Angelo, TX	USA	579 Shares 0.58% Common Stock	N/A	N/A	N/A
Brenda Chapman (Mikeska Family) San Angelo, TX	USA	2,426 Shares 2.43% Common Stock	N/A	N/A	N/A
A. C. Schwethelm Comfort, TX	USA	10,669 Shares 10.70% Common Stock	N/A	N/A	N/A
Tom Sessions Jacksonville, FL	USA	5,000 Shares 5.02% Common Stock	N/A	N/A	N/A

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PAINT ROCK BANCSHARES, INC.
Paint Rock, Texas
Fiscal Year Ending December 31, 2020

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

(1) Names & Address	(2) Principal Occupation	(3)(a) Title & Position with BHC	(3)(b) Title & Position with Subsidiaries	(3)(c) Title & Position with Other Businesses	(4)(a) Percentage of Voting Securities in BHC	(4)(b) Percentage of Voting Securities in Subsidiaries	(4)(c) Names of other companies 25% or more of voting securities are held
Wade Clifton Paint Rock, Texas	Banker	Director President	Director Chairman First State Bank	N/A	3.90%	None	None
Dean McIntyre San Angelo, Texas	Banker	Director Vice Chairman	Director President, CFO, CEO, Vice Chairman First State Bank	N/A	1.06%	None	40% DSDR Properties LLC
Al R. Lovell Paint Rock, Texas	Banker	Director	Director First State Bank	N/A	0.50%	None	None
A.C. Schwethelm Comfort, Texas	Retired Banker/Investments	Director	Director First State Bank	N/A	10.70%	None	None
Chris Wallendorf Comfort, Texas	Attorney	Director	Director First State Bank	N/A	0.57%	None	None
Kyle Schwartz Wall, Texas	Banker	Director	Director First State Bank	N/A	0.50%	None	50% KA Ranch Inc. 25 % GJK Land Corp
Mikeska Family Total San Angelo, Texas	N/A	Principal Securities Holder	N/A	N/A	14.04%	None	None
Brent Mikeska (Mikeska Family) San Angelo, TX	Cotton Ginner	Principal Securities Holder	N/A	President/Ballinger Cotton Warehouse Company	8.04%*	None	50% Ballenger Cotton Warehouse
Scarlotte Mikeska (Mikeska Family) San Angelo, TX	Retired Housekeeper	Principal Securities Holder	N/A	N/A	5.60%*	None	None
Bill Mikeska (Mikeska Family) San Angelo, TX	Retired Cotton Ginner	Principal Securities Holder	Director First State Bank	Vice President/Mikeska Gin & Grain Inc.	2.99%**	None	80% Mikeska Gin & Grain Inc.
Candice Mikeska (Mikeska Family) San Angelo, TX	Retired Housekeeper	Principal Securities Holder	N/A	Secretary/Mikeska Gin & Grain Inc.	0.48%**	None	None
Brenda Chapman (Mikeska Family) San Angelo, TX	Retired Housekeeper	Principal Securities Holder	N/A	N/A	3.01%***	None	None
Tom Chapman (Mikeska Family) San Angelo, TX	Retired Cotton Ginner	Principal Securities Holder	N/A	N/A	0.58%***	None	None

*Note: Although Scarlotte Mikeska is not a director or officer of the holding company, information must be provided because she is considered a "principal securities holder" of the holding company. Brent Mikeska has 2.44% ownership individually and 5.60% ownership jointly with his wife Scarlotte Mikeska.

**Note: Although Candice Mikeska is not a director or officer of the holding company, information must be provided because she is considered a "principal securities holder" of the holding company. Bill Mikeska has 2.51% ownership individually and 0.48% ownership jointly with his wife Candice Mikeska.

***Note: Although Brenda and Tom Chapman are not directors or officers of the holding company, information must be provided because they are considered "principal securities holders" of the holding company. Brenda Chapman has 2.43% ownership individually and 0.58% ownership jointly with her husband Tom Chapman.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

**PAINT ROCK BANCSHARES, INC.
AND SUBSIDIARY**

December 31, 2020 and 2019

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

December 31, 2020 and 2019

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HAMBY & HENGELI LLC
accountants and advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Paint Rock Bancshares, Inc.
Paint Rock, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Paint Rock Bancshares, Inc. and Subsidiary which are comprised of 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 Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Paint Rock Bancshares, 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.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 31 through 34 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated financial statements. The supplemental consolidating schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating schedules have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting records used to prepare the consolidated financial statements and 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 supplemental consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hamby & Hengeli LLC

San Angelo, Texas
January 28, 2021

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 24,965,835	$ 11,510,356
Certificates of deposit in banks	6,470,000	10,205,000
Debt securities available for sale	15,916,045	15,133,525
Debt securities held to maturity	29,342,975	21,396,315
Equity securities	25,000	25,000
Loans, net	47,867,289	49,374,773
Premises and equipment, net	282,039	283,870
Accrued interest receivable	1,140,353	1,237,378
Bank owned life insurance	2,854,325	2,794,567
Federal Home Loan Bank stock	45,200	42,900
Other assets	53,509	33,780
	$ 128,962,570	$ 112,037,464
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 43,866,506	$ 36,223,042
Interest-bearing	66,609,855	58,372,181
Total deposits	110,476,361	94,595,223
Advances from Federal Home Loan Bank	267	3,403
Accrued interest payable	6,718	10,708
Deferred compensation payable	1,462,379	1,482,400
Other liabilities	77,783	94,699
Total liabilities	112,023,508	96,186,433
Commitments (Notes H and J)		
Stockholders' equity		
Common stock - 100,000 shares; $0.01 par value stock authorized; 100,000 shares issued	1,000	1,000
Treasury Stock, at cost (300 shares)	(35,493)	(35,493)
Surplus	3,699,000	3,699,000
Retained earnings	13,192,154	12,199,311
Accumulated other comprehensive income (loss)	82,401	(12,787)
Total stockholders' equity	16,939,062	15,851,031
	$ 128,962,570	$ 112,037,464

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

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,	
	2020	2019
Interest income		
Loans, including fees	$ 3,152,475	$ 2,966,298
Debt securities:		
Taxable	369,943	406,986
Tax-exempt	491,612	518,168
Other interest and dividends	234,079	362,319
Total interest income	4,248,109	4,253,771
Interest expense		
Deposits	206,699	227,919
Borrowed funds and other	90	230
Total interest expense	206,789	228,149
Provision for loan losses	405,000	-
Net interest income after provision for loan losses	3,636,320	4,025,622
Noninterest income		
Service charges on deposit accounts	196,786	228,933
Net gain on sale of securities[1]	-	13,193
Net gain (loss) on sale of other assets	(1,543)	(3,149)
Other income	189,457	170,952
Total noninterest income	384,700	409,929
Noninterest expense		
Salaries and employee benefits	1,421,132	1,353,004
Occupancy and equipment	275,113	298,789
Regulatory fees and assessments	42,852	37,891
Other general and administrative	541,330	581,222
Total noninterest expense	2,280,427	2,270,906
NET INCOME	$ 1,740,593	$ 2,164,645

[1]Net gain on sale of securities includes $-0- and $13,193 accumulated other comprehensive income reclassifications for unrealized net gains on available for sale securities for 2020 and 2019, respectively.

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

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31, 2020	2019
Net income	$ 1,740,593	$ 2,164,645
Other comprehensive income		
Gross unrealized gains on securities available for sale	95,188	90,906
Reclassification adjustment for gains realized in net income	-	(13,193)
Total other comprehensive income	95,188	77,713
TOTAL COMPREHENSIVE INCOME	$ 1,835,781	$ 2,242,358

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

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2020 and 2019

	Shares of Common Stock	Common Stock	Treasury Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2018	100,000	$ 1,000	$ (35,493)	$ 3,699,000	$ 10,533,167	$ (90,500)	$ 14,107,174
Net income	-	-	-	-	2,164,645	-	2,164,645
Other comprehensive income	-	-	-	-	-	77,713	77,713
Cash dividends paid	-	-	-	-	(498,501)	-	(498,501)
Balance at December 31, 2019	100,000	1,000	(35,493)	3,699,000	12,199,311	(12,787)	15,851,031
Net income	-	-	-	-	1,740,593	-	1,740,593
Other comprehensive income	-	-	-	-	-	95,188	95,188
Cash dividends paid	-	-	-	-	(747,750)	-	(747,750)
Balance at December 31, 2020	100,000	$ 1,000	$ (35,493)	$ 3,699,000	$ 13,192,154	$ 82,401	$ 16,939,062

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

	Years ended December 31, 2020	2019
Cash flows from operating activities		
Net income	$ 1,740,593	$ 2,164,645
Adjustments to reconcile net income to cash provided by operating activities		
Net amortization of premium on investment securities	283,791	300,847
Gain on sale of investment securities	-	(13,193)
Provision for loan losses	405,000	-
Depreciation and amortization expense	36,280	46,594
Loss on disposition of premises and equipment	186	3,149
Loss on sale of other real estate owned	1,357	-
Federal Home Loan Bank stock dividend	(200)	(800)
Increase in cash surrender value of bank owned life insurance	(59,758)	(57,278)
Net change in:		
Accrued interest receivable and other assets	77,296	118,752
Accrued interest payable and other liabilities	(40,927)	(16,857)
Cash provided by operating activities	2,443,618	2,545,859
Cash flows from investing activities		
Proceeds from maturities, calls and paydowns of securities available for sale	23,745,361	24,041,671
Proceeds from maturities, calls and paydowns of securities held to maturity	3,880,000	2,190,000
Purchases of securities available for sale	(24,443,770)	(27,590,848)
Purchases of securities held to maturity	(12,099,374)	(1,108,423)
Proceeds from sales of securities available for sale	-	833,630
Net change in certificates of deposit in banks	3,735,000	(743,000)
Purchase of Federal Home Loan Bank stock	(2,100)	-
Proceeds from sales of other real estate owned	9,226	-
Loans originated, net of principal collections	1,091,901	(1,216,250)
Additions to premises and equipment	(34,635)	(44,313)
Cash used for investing activities	(4,118,391)	(3,637,533)
Cash flows from financing activities		
Net change in deposits	15,881,138	7,867,079
Principal payments on Federal Home Loan Bank borrowings	(3,136)	(2,996)
Cash dividends paid on common stock	(747,750)	(498,501)
Cash provided by financing activities	15,130,252	7,365,582
Net change in cash and cash equivalents	13,455,479	6,273,908
Cash and cash equivalents, beginning of year	11,510,356	5,236,448
Cash and cash equivalents, end of year	$ 24,965,835	$11,510,356
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest on deposits and borrowed funds	$ 210,779	$ 226,665
Supplemental disclosure of non-cash transactions		
Loan balances transferred to other real estate owned	$ 10,583	$ -

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Paint Rock Bancshares, Inc. and Subsidiary conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following is a summary of the significant accounting and reporting policies:

Organization and Principles of Consolidation

Paint Rock Bancshares, Inc. is a bank holding company which owns 100% of the common stock of First State Bank ("the Bank"). The entities are collectively referred to as "the Company".

The accompanying consolidated financial statements include the consolidated totals of the accounts of the Company. Significant intercompany accounts and transactions have been eliminated in consolidation.

The Company provides a variety of banking services to individuals and businesses through their locations in Paint Rock and San Angelo, Texas. Their primary deposit products are checking, savings and term deposit accounts. Their primary lending products are real estate mortgages, agricultural, commercial and installment loans. The Bank is subject to competition from other financial institutions and to regulation by certain federal agencies. The Bank undergoes periodic examinations by these regulatory authorities.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statement and the disclosures provided and actual results could differ.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company has defined cash equivalents as those amounts included in the balance sheet caption "Cash and due from banks". Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased.

Balances in transaction accounts at other financial institutions may exceed amounts covered by federal deposit insurance. Management regularly evaluates the credit risk associated with other financial institutions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

Certificates of Deposit in Banks

Certificates of deposit in banks are carried at cost, and are fully covered by federal deposit insurance.

Debt Securities

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Debt securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For debt securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a debt security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as an impairment charge to earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which is recognized as an impairment charge to earnings, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Equity Securities

Marketable equity securities with readily determinable fair values are measured at fair value and changes in fair value are recognized in other income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. For the years ended December 31, 2020 and 2019, the Company maintained an investment in the capital stock of TIB – The Independent BankersBank. This is the only investment carried under the balance sheet line item "Equity Securities" and management determined it does not have a readily determinable fair value.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances, net of deferred loan fees and costs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Interest income on agricultural and commercial loans is discontinued and placed on non-accrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Real estate and consumer loans are put on non-accrual at the time the loan is 120 days past due. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful

When placing a loan on nonaccrual status, interest accrued to date is generally reversed and is charged against the current year's interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentration of Credit Risk

The Company grants real estate, commercial, agricultural and consumer loans to customers. A substantial portion of the loan portfolio is represented by agriculture and real estate loans principally in the Concho and Tom Green County areas. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, farm products and commercial and residential real estate. There are no significant concentrations of loans to any one industry or customer. However, the customer's ability to honor their contracts is dependent on the agriculture, real estate and general economic conditions in the area.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses, and is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgement, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired when, based on current information and events, it is probable that the Company will not collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and are classified as impaired.

Factors considered by management in determining whether a loan is impaired include payment status, collateral value, the probability of collecting scheduled principal and interest payments when due and the borrower's financial condition and overall loan quality as determined by an internal loan grading system. Included in impaired loans are all nonaccrual loans and all accruing troubled debt restructurings. Loans that experience insignificant payment delays or payment shortfalls generally are not considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded by allocating a portion of the allowance to the impaired loan.

Troubled debt restructurings are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired

The general component covers loans that are collectively evaluated for impairment. The general component relates to non-impaired loans, and is based on historical loss experience adjusted for the effects of economic factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio's historical loss experience. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: economic conditions; industry conditions; changes in lending policies and procedures; trends in the volume and terms of loans; the experience, ability and depth of lending staff; levels and trends in delinquencies and impaired loans; levels and trends in charge-off and recovery activity; levels and trends of loan quality as determined by an internal loan grading system; national and local economic trends and conditions; and effects of changes in credit concentrations.

The following portfolio segments have been identified by management:

Real Estate

Real Estate loans include the purchase or construction of both business and residential structures and for farming activities. The repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the agriculture business conducted on the property securing the loan.

Commercial & Industrial

Commercial loans are subject to underwriting standards and processes similar to real estate loans. Commercial loans are primarily based on the credit quality and cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to add strength to the credit. Some short-term loans may be made on an unsecured basis to the most creditworthy borrowers.

Agricultural Production

Agricultural loans are made to sound and prudent farmers and ranchers within the Company's market area. Agricultural loans are underwritten based on the value of the collateral offered, the performance history of the borrower and anticipated cash flow from a given farming or ranching operation. All agricultural loan applications require cash flow projection for the coming farming season, and the projection must show a margin between income and expense that is sufficient to repay the loan from normal farm operations. All agricultural loans will be supported by a perfected first security interest in the products being produced.

Consumer & Other

The Company originates non-real estate consumer loans based on the borrower's ability to repay. This includes loans secured by automobiles and recreational equipment, the borrowers' deposits, etc. This segment also includes unsecured loans. The Company monitors payment performance periodically to identify any deterioration in the borrower's financial strength.

Determination of the allowance is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company allowance. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs, which do not extend the useful lives of buildings and equipment, are charged to expense as incurred.

Other Real Estate Owned

Foreclosed real estate, also known as Other Real Estate Owned (OREO), are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosed or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Federal Home Loan Bank (FHLB) Stock

The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. The stock is carried at cost, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Revenue Recognition

For revenue not associated with financial instruments, guarantees and lease contracts, the Company follows the framework established by Accounting Standards Codification Topic 606 (ASC 606) *Revenue from Contracts with Customers*. All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following items fall within the scope of ASC 606:

Service Charges on Deposit Accounts - The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income - The Company earns interchange fees from debit/credit cardholder transactions conducted through the Visa/Mastercard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Interchange Income is included with "Other Income" on the Statement of Income.

Gains (Losses) on Sale of OREO - The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectibility of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

<u>Income Taxes</u>

The Company, with the consent of its stockholders, elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company neither pays corporate income taxes on its taxable income nor is allowed a net operating loss carryover or carryback as a deduction. Instead, the stockholders of the Company include their respective shares of the Company's net operating income or loss in their individual income tax returns. Accordingly, no income taxes are reflected in the consolidated financial statements.

Because the Company's stockholders will be obligated to pay income taxes on the earnings of the Company, the Company expects to declare cash dividends sufficient to fund the stockholders' tax payments as they come due.

The Company is no longer subject to examination by taxing authorities for years before 2017.

<u>Retirement Plans</u>

Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

<u>Loan Commitments and Related Financial Instruments</u>

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

<u>Transfers of Financial Assets</u>

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be relinquished when the assets have been isolated from the Company, 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 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. Management does not believe there now are such matters that will have a material effect on the financial statements.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve was required to meet regulatory reserve and clearing requirements.

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value Measurements

Fair values of financial instruments are estimated using the relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Comprehensive Income

Components of comprehensive income are net income and all other non-owner changes in equity. The only component of other comprehensive income consists of net unrealized holding gains and losses on available-for-sale securities.

Newly Issued and Not Yet Effective Accounting Standards

The following paragraphs provided description of newly issued but not yet effective ASUs that could have a material effect on the Company's consolidated financial statements.

ASU 2016-13 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments" (Topic 326). In June 2016, FASB issued guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model requires 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. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the guidance amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Company will adopt Topic 326 in the first quarter of 2023, as required for non-public business entities. The Company may recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. The cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. At this time, the impact to the allowance for loan losses balance is being evaluated.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through January 28, 2021 which is the date the financial statements were available to be issued.

NOTE B – CERTIFICATES OF DEPOSIT IN BANKS

Scheduled maturities of certificates of deposit in banks are as follows at December 31, 2020:

Year ending December 31,	
2021	$ 6,470,000

NOTE C – DEBT SECURITIES

The following presents information related to the Company's portfolio of debt securities:

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ 236,226	$ 25,161	$ -	$ 261,387
Mortgage-backed	5,765,647	206,326	(7,131)	5,964,842
Collateralized mortgage obligations	1,858,081	65,145	(377)	1,922,849
Other securities with prepayments	7,973,691	15,357	(222,081)	7,766,967
	$15,833,645	$ 311,989	$ (229,589)	$15,916,045
Securities held to maturity				
State and municipal	$29,342,975	$ 664,406	$ (73,973)	$29,933,408

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ 722,658	$ 26,141	$ -	$ 748,799
Mortgage-backed	6,635,114	55,069	(48,094)	6,642,089
Collateralized mortgage obligations	1,256,297	35,647	(578)	1,291,366
Other securities with prepayments	6,532,243	5,081	(86,053)	6,451,271
	$15,146,312	$ 121,938	$ (134,725)	$15,133,525
Securities held to maturity				
State and municipal	$21,396,315	$ 346,693	$ (16,950)	$21,726,058

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

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -	$ 806,100	$ 807,575
Due after one year through five years	236,226	261,387	894,076	911,816
Due after five years through ten years	-	-	7,433,929	7,596,795
Due after ten years	-	-	20,208,870	20,617,222
	236,226	261,387	29,342,975	29,933,408
Securities without fixed maturities	15,597,419	15,654,658	-	-
	$15,833,645	$ 15,916,045	$ 29,342,975	$29,933,408

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

At December 31, 2020 and 2019, investment securities with carrying values of $17,630,214 and $10,018,699, respectively, were pledged to secure public deposits and for other purposes.

During 2020, there were no sales of available-for-sale securities. There were gross realized gains on sale of available-for-sale securities in the amount of $13,193 and no gross realized losses for the year ended December 31, 2019.

At year-end 2020 and 2019, there were no holdings of securities of any one issuer, other than U.S. Government and its agencies, in an amount greater than 10% of Tier I Capital.

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

	December 31, 2020			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
Mortgage-backed	$ 265	$ 62,319	$ 6,866	$ 494,078
Collateralized mortgage obligations	-	-	377	28,373
Other securities with prepayments	10,375	1,149,166	211,706	4,948,844
	$ 10,640	$ 1,211,485	$ 218,949	$ 5,471,295
Securities held to maturity				
State and municipal	$ 73,973	$ 4,775,996	$ -	$ -

	December 31, 2019			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
Mortgage-backed	$ 34,103	$ 1,873,715	$ 13,991	$ 990,546
Collateralized mortgage obligations	-	-	578	55,790
Other securities with prepayments	57,757	4,242,647	28,296	1,934,037
	$ 91,860	$ 6,116,362	$ 42,865	$ 2,980,373
Securities held to maturity				
State and municipal	$ 4,897	$ 1,417,765	$ 12,053	$ 1,736,305

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

NOTE D - LOANS

Major classifications of loans are as follows:

	December 31,	
	2020	2019
Real Estate	$ 14,938,477	$ 15,687,487
Agricultural Production	20,578,138	22,070,495
Commercial	8,933,284	7,871,005
Consumer and Other	4,292,630	4,515,582
	48,742,529	50,144,569
Less: Deferred Loan Fees	(55,241)	-
Less: Allowance For Loan Losses	(819,999)	(769,796)
Total Loans	$ 47,867,289	$ 49,374,773

Transactions in the allowance for loan losses are as follows:

	Year Ended December 31, 2020					
	Real Estate	Agricultural Production	Commercial	Consumer and Other	Unallocated	Total
Balance at December 31, 2019	$ 94,181	$ 323,525	$ 313,427	$ 38,663	$ -	$ 769,796
Provision for loan losses	31,572	64,471	134,183	32,079	142,695	405,000
Charge-offs	-	-	(340,808)	(26,838)	-	(367,646)
Recoveries	-	5,326	4,414	3,109	-	12,849
Net (charge-offs) recoveries	-	5,326	(336,394)	(23,729)	-	(354,797)
Balance at December 31, 2020	$ 125,753	$ 393,322	$ 111,216	$ 47,013	$ 142,695	$ 819,999

	Year Ended December 31, 2019				
	Real Estate	Agricultural Production	Commercial	Consumer and Other	Total
Balance at December 31, 2018	$ 80,521	$ 319,104	$ 339,813	$ 33,928	$ 773,366
Provision for loan losses	13,660	6,216	(50,183)	30,307	-
Charge-offs	-	(5,995)	(3,742)	(29,229)	(38,966)
Recoveries	-	4,200	27,539	3,657	35,396
Net (charge-offs) recoveries	-	(1,795)	23,797	(25,572)	(3,570)
Balance at December 31, 2019	$ 94,181	$ 323,525	$ 313,427	$ 38,663	$ 769,796

Components of the allowance for loan losses, and the related carrying amounts of loans for which the allowance is determined, are as follows:

	Year Ended December 31, 2020					
	Real Estate	Agricultural Production	Commercial	Consumer and Other	Unallocated	Total
Allocation of Allowance To:						
Impaired loans - evaluated individually	$ 18,751	$ 95,249	$ -	$ -	$ -	$ 114,000
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	18,751	95,249	-	-	-	114,000
Unimpaired loans - evaluated collectively	107,002	298,073	111,216	47,013	142,695	705,999
	$ 125,753	$ 393,322	$ 111,216	$ 47,013	$ 142,695	$ 819,999
Recorded Investment In:						
Impaired loans - evaluated individually	$ 1,071,075	$ 1,195,732	$ -	$ 45,872	$ -	$ 2,312,679
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	1,071,075	1,195,732	-	45,872	-	2,312,679
Unimpaired loans - evaluated collectively	13,867,402	19,382,406	8,933,284	4,246,758	-	46,429,850
	$ 14,938,477	$ 20,578,138	$ 8,933,284	$ 4,292,630	$ -	$ 48,742,529

	Year Ended December 31, 2019				
	Real Estate	Agricultural Production	Commercial	Consumer and Other	Total
Allocation of Allowance To:					
Impaired loans - evaluated individually	$ 20,951	$ 29,158	$ 280,000	$ 3,046	$ 333,155
Impaired loans - evaluated collectively	-	-	-	-	-
Total impaired loans	20,951	29,158	280,000	3,046	333,155
Unimpaired loans - evaluated collectively	73,230	294,367	33,427	35,617	436,641
	$ 94,181	$ 323,525	$ 313,427	$ 38,663	$ 769,796
Recorded Investment In:					
Impaired loans - evaluated individually	$ 1,122,928	$ 503,548	$ 532,466	$ 3,046	$ 2,161,988
Impaired loans - evaluated collectively	-	-	-	-	-
Total impaired loans	1,122,928	503,548	532,466	3,046	2,161,988
Unimpaired loans - evaluated collectively	14,564,559	21,566,947	7,338,539	4,512,536	47,982,581
	$ 15,687,487	$ 22,070,495	$7,871,005	$ 4,515,582	$50,144,569

Information relative to impaired loans is as follows:

	December 31, 2020				Year Ended December 31, 2020
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate	$ 1,052,324	$ 18,751	$1,071,075	$ 18,751	$ 919,106
Agricultural Production	409,546	786,186	1,195,732	95,249	1,067,206
Commercial	-	-	-	-	-
Consumer and Other	45,872	-	45,872	-	9,174
Total Loans	$ 1,507,742	$ 804,937	$2,312,679	$ 114,000	$ 1,995,486

	December 31, 2019				Year Ended December 31, 2019
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate	$ 1,101,977	$ 20,951	$1,122,928	$ 20,951	$ 1,114,808
Agricultural Production	474,390	29,158	503,548	29,158	398,360
Commercial	162,348	370,118	532,466	280,000	402,688
Consumer and Other	-	3,046	3,046	3,046	2,307
Total Loans	$ 1,738,715	$ 423,273	$2,161,988	$ 333,155	$ 1,918,163

There are no commitments to extend credit on impaired loans at December 31, 2020. The recorded investment in loans excludes accrued interest receivable and loan origination fees, net, due to immateriality. Interest income recognized on impaired loans was $74,315 and $108,433 for the years ended December 31, 2020 and 2019.

At December 31, 2020 and 2019, the Company has a recorded investment in troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for a new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

Troubled debt restructurings included in impaired loans, and the related valuation allowance thereon, are as follows:

	December 31, 2020	
	TDRs - included in impaired loans	Portion of Valuation Allowance on Impaired Loans Attributable to TDRs
Real Estate	$ 976,528	$ -
Agricultural Production	348,001	24,111
Commercial	-	-
Consumer and Other	-	-
Total Loans	$1,324,529	$ 24,111

	December 31, 2019	
	TDRs - included in impaired loans	Portion of Valuation Allowance on Impaired Loans Attributable to TDRs
Real Estate	$ 1,008,324	$ -
Agricultural Production	361,047	-
Commercial	370,118	280,000
Consumer and Other	-	-
Total Loans	$ 1,739,489	$ 280,000

Additionally, the Company is working with borrowers impacted by COVID-19 and providing modifications to include interest only deferral or principal and interest deferral for three month time periods. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators. During 2020, the Company modified 59 loans, which is made up of all loan types with outstanding balances of $1,116,566 at December 31, 2020.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the forseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

The carrying amounts of loans by performance status are as follows:

	December 31, 2020				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Real Estate	$14,843,930	$ -	$ -	$ 94,547	$14,938,477
Agriculture Production	19,938,408	119,374	410,589	109,767	20,578,138
Commercial	8,860,984	72,300	-	-	8,933,284
Consumer and Other	4,199,252	46,130	1,376	45,872	4,292,630
Total	$47,842,574	$ 237,804	$ 411,965	$ 250,186	$48,742,529

	December 31, 2019				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Real Estate	$15,398,507	$ 95,825	$ 78,551	$ 114,604	$15,687,487
Agriculture Production	21,826,150	72,688	-	171,657	22,070,495
Commercial	7,147,905	190,634	-	532,466	7,871,005
Consumer and Other	4,473,634	41,948	-	-	4,515,582
Total	$48,846,196	$ 401,095	$ 78,551	$ 818,727	$50,144,569

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

Pass — Loans classified as pass are those loans with minimal identified credit 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 institution's credit position at some future date.

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

Doubtful — 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. Loans rated doubtful are generally also placed on nonaccrual and considered impaired.

The carrying amounts of loans by credit quality indicator are as follows:

	December 31, 2020			
	Pass	Special Mention	Substandard	Total Loans
Real Estate	$ 13,592,153	$ 1,085,823	$ 260,501	$14,938,477
Agriculture Production	16,628,612	1,642,044	2,307,482	20,578,138
Commercial	8,758,284	175,000	-	8,933,284
Consumer and Other	4,246,758	-	45,872	4,292,630
Total Loans	$ 43,225,807	$ 2,902,867	$ 2,613,855	$48,742,529

	December 31, 2019			
	Pass	Special Mention	Substandard	Total Loans
Real Estate	$ 14,272,622	$ 1,098,960	$ 315,905	$15,687,487
Agriculture Production	18,414,723	1,873,729	1,782,043	22,070,495
Commercial	7,155,353	337,348	378,304	7,871,005
Consumer and Other	4,498,068	-	17,514	4,515,582
Total Loans	$ 44,340,766	$ 3,310,037	$ 2,493,766	$50,144,569

NOTE E – PREMISES AND EQUIPMENT

Premises and equipment are as follows:

	December 31,	
	2020	2019
Land	$ 90,553	$ 90,553
Buildings and improvements	537,890	537,890
Furniture, fixtures and equipment	448,580	465,196
	1,077,023	1,093,639
Accumulated depreciation	(794,984)	(809,769)
	$ 282,039	$ 283,870

NOTE F - DEPOSITS

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2020 and 2019 were $6,604,619 and $5,652,638, respectively.

At December 31, 2020, the scheduled maturities of time deposits are as follows:

Year Ending December 31,	
2021	$21,748,028
2022	291,909
2023	-
2024	-
2025	-
	$22,039,937

NOTE G - BORROWINGS

Advances from the Federal Home Loan Bank

FHLB advances amounting to $267 and $3,403 were outstanding at December 31, 2020 and 2019, respectively. The interest rates on fixed rate, long-term debt was 4.6%. The weighted average rate at December 31, 2020 and 2019 was 4.6%. The advances were collateralized by $19,133,079 and $20,324,645 of first mortgage loans under a blanket lien agreement at December 31, 2020 and 2019. Based on this collateral, investment securities held in safekeeping with the lender and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $19,133,079 at December 31, 2020.

At December 31, 2020, future scheduled principal payments on Federal Home Loan Bank borrowings are as follows:

Year Ending December 31,	
2021	$ 267

Lines of Credit

The Company maintains a short-term secured line of credit with a correspondent bank. At December 31, 2020, the Company was eligible to borrow $1,000,000. No amounts were outstanding under this line at December 31, 2020 and 2019.

NOTE H – LOAN COMMITMENTS AND OTHER RELATED ACTIVITY

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance sheet risk at December 31, 2020 and 2019, were as follows:

	2020	2019
Unfunded commitments to extend credit	$ 9,770,687	$ 7,909,025
Commercial and standby letters of credit	272,942	134,578

NOTE I – MINIMUM REGULATORY CAPITAL REQUIREMENTS

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

Prompt corrective action regulations 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 year-end 2020 and 2019, the most recent regulatory notification 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.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021 and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021 and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2020, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Actual and required capital amount and ratios under the CBLR framework are presented as of December 31, 2020, in the following table.

	Amount		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(dollars in thousands)			
Tier 1 (Core) Capital to average total assets	$14,693	11.8%	$ 9,956	8%

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

	Actual		Required for Capital Adequacy Purposes		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio		Ratio
			(dollars in thousands)			
Total capital (to risk weighted assets)	$14,556	22.4%	$ 5,187	8.0%	$ 6,484	10.0%
Tier 1 capital (to risk weighted assets)	13,786	21.3%	3,890	6.0%	5,187	8.0%
Common Tier 1 capital (to risk weighted assets)	13,786	21.3%	2,918	4.5%	4,215	6.5%
Tier 1 capital (to average assets)	13,786	12.9%	4,288	4.0%	5,360	5.0%

NOTE J – EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company has a 401(k) plan in which substantially all eligible employees participate. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. The Company makes a 3% safe harbor contribution to all participating and nonparticipating employees that vests immediately. The Company also makes a matching contribution, which was 4% in 2019 and raised to 5% in 2020. Matching contributions vest to the employee over a five-year period. For the years ended December 31, 2020 and 2019, expense related to the plan amounted to $71,502 and $62,816, respectively.

Deferred Compensation Plan

A deferred compensation plan covers various officers and directors. Under the plan, the Company pays each participant, or their beneficiary, between 20% and 55% of the participant's final base salary over 15 years, beginning with the individual's termination of service, death, disability or change in control. A liability is accrued for the obligation under these plans. The expense incurred for the deferred compensation plan for the years ended December 31, 2020 and 2019 was $109,715 and $104,924, respectively resulting in a deferred compensation liability of $1,366,175 and $1,366,614 as of December 31, 2020 and 2019, respectively.

Split Dollar Life Insurance Agreements

The Company offers a split dollar insurance program to certain employees. Under this program, the Bank has purchased and owns the life insurance policies on the participating employees; the cash surrender value of policies has been classified as "Bank owned life insurance." The Company has entered into separate agreements with the employees that split the policy benefits between the Company and the employees. A liability is accrued for the obligation under these agreements. At December 31, 2020 and 2019, the Company had $96,204 and $115,786, respectively accrued for the benefit and is included in the deferred compensation liability.

NOTE K – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted loans to executive officers, principal shareholders and directors and parties affiliated with those persons (collectively, "insiders"). The Company has loans to insiders aggregating $30,902 and $46,636 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, deposits from insiders totaled $607,465 and $570,255, respectively.

NOTE L – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, excluding transaction costs. When measuring fair value, entities should maximize the use of observable inputs and minimize the use of unobservable inputs. The following describes the three levels of inputs that may be used to measure fair value:

- *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* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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

The Company used the following methods and significant assumptions to estimate fair value:

Securities Available for Sale – Securities are recorded at fair value on a recurring basis based upon measurements obtained from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things (Level 2).

Impaired Loans – The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants (Level 3). Fair values estimates for other impaired loans are based on discounted cash flow analysis (Level 3).

The following table provides the hierarchy and fair value for each major category of assets and liabilities recorded at fair value on a recurring basis:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Securities available for sale				
U.S. Agency	$ -	$ 261,387	$ -	$ 261,387
Mortgage-backed	-	5,964,842	-	5,964,842
Collateralized mortgage obligations	-	1,922,849	-	1,922,849
Other securities with prepayments	-	7,766,967	-	7,766,967
	$ -	$ 15,916,045	$ -	$ 15,916,045

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Securities available for sale				
U.S. Agency	$ -	$ 748,799	$ -	748,799
Mortgage-backed	-	6,642,089	-	6,642,089
Collateralized mortgage obligations	-	1,291,366	-	1,291,366
Other securities with prepayments	-	6,451,271	-	6,451,271
	$ -	$ 15,133,525	$ -	$ 15,133,525

During 2020 and 2019, there were no Level 3 assets or liabilities measured at fair value on a recurring basis.

Assets and liabilities recorded at fair value on a non-recurring basis are summarized below.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 2,198,679	$ 2,198,679

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 1,828,833	$ 1,828,833

Impaired loans, which are measured for impairment using the fair value of collateral for collateral dependent loans, had a carrying amount of $2,312,679, with a valuation allowance of $114,000, at December 31, 2020, and a carrying amount of $2,161,988, with a valuation allowance of $333,155, at December 31, 2019.

SUPPLEMENTAL CONSOLIDATING SCHEDULES

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET

December 31, 2020

	Paint Rock Bancshares, Inc.	First State Bank	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ 2,166,388	$ 24,965,835	$ (2,166,388)	$ 24,965,835
Certificates of deposit in banks	-	6,470,000	-	6,470,000
Debt securities available for sale	-	15,916,045	-	15,916,045
Debt securities held to maturity	-	29,342,975	-	29,342,975
Equity securities	-	25,000	-	25,000
Investment in subsidiary	14,772,674	-	(14,772,674)	-
Loans, net	-	47,867,289	-	47,867,289
Premises and equipment, net	-	282,039	-	282,039
Accrued interest receivable	-	1,140,353	-	1,140,353
Bank owned life insurance	-	2,854,325	-	2,854,325
Federal Home Loan Bank stock	-	45,200	-	45,200
Other assets	-	53,509	-	53,509
	$ 16,939,062	$ 128,962,570	$ (16,939,062)	$ 128,962,570
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Deposits				
Noninterest-bearing	$ -	$ 46,032,894	$ (2,166,388)	$ 43,866,506
Interest-bearing	-	66,609,855	-	66,609,855
Total deposits	-	112,642,749	(2,166,388)	110,476,361
Advances from Federal Home Loan Bank	-	267	-	267
Accrued interest payable	-	6,718	-	6,718
Deferred compensation payable	-	1,462,379	-	1,462,379
Other liabilities	-	77,783	-	77,783
Total liabilities	-	114,189,896	(2,166,388)	112,023,508
Stockholders' equity				
Common stock	1,000	700,000	(700,000)	1,000
Treasury stock	(35,493)	-	-	(35,493)
Surplus	3,699,000	3,000,000	(3,000,000)	3,699,000
Retained earnings	13,192,154	10,990,273	(10,990,273)	13,192,154
Accumulated other comprehensive income	82,401	82,401	(82,401)	82,401
Total stockholders' equity	16,939,062	14,772,674	(14,772,674)	16,939,062
	$ 16,939,062	$ 128,962,570	$ (16,939,062)	$ 128,962,570

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2020

	Paint Rock Bancshares, Inc.	First State Bank	Eliminations	Consolidated
Interest income				
Loans, including fees	$ -	$ 3,152,475	$ -	$ 3,152,475
Debt securities:				
Taxable	-	369,943	-	369,943
Tax-exempt	-	491,612	-	491,612
Other interest and dividends	-	234,079	-	234,079
Total interest income	-	4,248,109	-	4,248,109
Interest expense				
Deposits	-	206,699	-	206,699
Borrowed funds and other	-	90	-	90
Total interest expense	-	206,789	-	206,789
Provision for loan losses	-	405,000	-	405,000
Net interest income after provision for loan losses	-	3,636,320	-	3,636,320
Noninterest income				
Service charges on deposit accounts	-	196,786	-	196,786
Dividends from subsidiary	850,000	-	(850,000)	-
Net gain (loss) on sale of other assets	-	(1,543)	-	(1,543)
Other income	-	189,457	-	189,457
Total noninterest income	850,000	384,700	(850,000)	384,700
Noninterest expense				
Salaries and employee benefits	-	1,421,132	-	1,421,132
Occupancy and equipment	-	275,113	-	275,113
Regulatory fees and assessments	-	42,852	-	42,852
Other general and administrative	1,100	540,230	-	541,330
Total noninterest expense	1,100	2,279,327	-	2,280,427
Income before equity in undistributed net income of subsidiary	848,900	1,741,693	(850,000)	1,740,593
Equity in undistributed income of subsidiary	891,693	-	(891,693)	-
NET INCOME	$ 1,740,593	$ 1,741,693	$ (1,741,693)	$ 1,740,593

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET

December 31, 2019

	Paint Rock Bancshares, Inc.	First State Bank	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ 2,065,234	$ 11,510,356	$ (2,065,234)	$ 11,510,356
Certificates of deposit in banks	-	10,205,000	-	10,205,000
Debt securities available for sale	-	15,133,525	-	15,133,525
Debt securities held for sale	-	21,396,315	-	21,396,315
Equity securities	-	25,000	-	25,000
Investment in subsidiary	13,785,797	-	(13,785,797)	-
Loans, net	-	49,374,773	-	49,374,773
Premises and equipment, net	-	283,870	-	283,870
Accrued interest receivable	-	1,237,378	-	1,237,378
Bank owned life insurance	-	2,794,567	-	2,794,567
Federal Home Loan Bank stock	-	42,900	-	42,900
Other assets	-	33,780	-	33,780
	$ 15,851,031	$ 112,037,464	$ (15,851,031)	$ 112,037,464
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Deposits				
Noninterest-bearing	$ -	$ 38,288,276	$ (2,065,234)	$ 36,223,042
Interest-bearing	-	58,372,181	-	58,372,181
Total deposits	-	96,660,457	(2,065,234)	94,595,223
Advances from Federal Home Loan Bank	-	3,403	-	3,403
Accrued interest payable	-	10,708	-	10,708
Deferred compensation payable	-	1,482,400	-	1,482,400
Other liabilities	-	94,699	-	94,699
Total liabilities	-	98,251,667	(2,065,234)	96,186,433
Stockholders' equity				
Common stock	1,000	700,000	(700,000)	1,000
Treasury Stock	(35,493)	-	-	(35,493)
Surplus	3,699,000	3,000,000	(3,000,000)	3,699,000
Retained earnings	12,199,311	10,098,584	(10,098,584)	12,199,311
Accumulated other comprehensive loss	(12,787)	(12,787)	12,787	(12,787)
Total stockholders' equity	15,851,031	13,785,797	(13,785,797)	15,851,031
	$ 15,851,031	$ 112,037,464	$ (15,851,031)	$ 112,037,464

PAINT ROCK BANCSHARES, INC. AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2019

	Paint Rock Bancshares, Inc.	First State Bank	Eliminations	Consolidated
Interest income				
Loans, including fees	$ -	$ 2,966,298	$ -	$ 2,966,298
Debt securities:				
Taxable	-	406,986	-	406,986
Tax-exempt	-	518,168	-	518,168
Other interest and dividends	-	362,319	-	362,319
Total interest income	-	4,253,771	-	4,253,771
Interest expense				
Deposits	-	227,919	-	227,919
Borrowed funds and other	-	230	-	230
Total interest expense	-	228,149	-	228,149
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	-	4,025,622	-	4,025,622
Noninterest income				
Service charges on deposit accounts	-	228,933	-	228,933
Net gain on sale of securities		13,193		13,193
Dividends from subsidiary	1,000,000	-	(1,000,000)	-
Net gain (loss) on sale of other assets	-	(3,149)	-	(3,149)
Other income	-	170,952	-	170,952
Total noninterest income	1,000,000	409,929	(1,000,000)	409,929
Noninterest expense				
Salaries and employee benefits	-	1,353,004	-	1,353,004
Occupancy and equipment	-	298,789	-	298,789
Regulatory fees and assessments	-	37,891	-	37,891
Other general and administrative	-	581,222	-	581,222
Total noninterest expense	-	2,270,906	-	2,270,906
Income before equity in undistributed net income of subsidiary	1,000,000	2,164,645	(1,000,000)	2,164,645
Equity in undistributed income of subsidiary	1,164,645	-	(1,164,645)	-
NET INCOME	$ 2,164,645	$ 2,164,645	$ (2,164,645)	$ 2,164,645