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, David A Bubier
Name of the Holding Company Director and Official

Chairman of the Board
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.*

D a B
Signature of Holding Company Director and Official

3/30/2020
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

549300ZNQUIWD5D25037
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address
The MINT Holdings, Inc.
Legal Title of Holding Company

1215 Kingwood Drive
(Mailing Address of the Holding Company) Street / P.O. Box

Kingwood	Texas	77339
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Kenneth W Meyer	Secretary to the Board
Name	Title

281-359-6468 x1114
Area Code / Phone Number / Extension

281-312-2853
Area Code / FAX Number

ken.meyer@themintbank.com
E-mail Address

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.

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

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

City State Zip Code

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Physical Location (if different from mailing address)

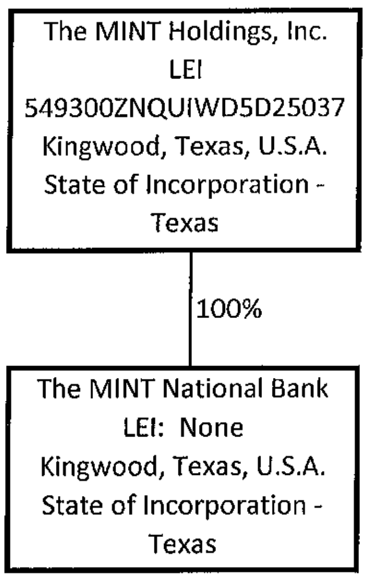
Form FR Y-6

The MINT Holdings, Inc.
Kingwood, Texas
Fiscal Year Ending December 31, 2020

Report Item

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. The annual report is included in this filing.

2a: Organization Chart:



Form FR Y-6

The MINT Holdings, Inc.
Kingwood, Texas
Fiscal Year Ending December 31, 2020

Report Item 2b: Domestic Branch Listing

Data Action	Effective D	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
		Full Service (Head Office)	3821626	MINT NATIONAL BANK, THE	1213 KINGWOOD DRIVE	KINGWOOD	TX	77339	HARRIS	UNITED STATES	Not Required	Not Required	MINT NATIONAL BANK, THE	3821626	

FORM FR Y-6
The MINT Holdings, Inc.
Fiscal Year Ending December 31, 2020

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

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)© 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, City, State, Country	(1)(b) Country of Citizenship; or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship; or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
David A. Bubler, Trustee David A. Bubler Living Trust Agreement Dated 12/5/86 Kingwood, TX, USA	USA	200,000 - 17.58% Common Stock	None		
Don N. Le or Cindy P. Le Houston, TX , USA	USA	94,000 - 8.26% Common Stock			
Tim D. Lee or Andrea R. Lee Houston, TX, USA	USA	75,970 - 6.68% Common Stock			
Michael W. Postel Postel Holdings LLC Spring, TX, USA	USA	59,500 - 5.23% Common Stock			

Revised

FORM FR Y-6
The MINT Holdings, Inc.
Fiscal Year Ending December 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%
David A. Bubier Kingwood, Texas, USA	Banker	Chairman of the Board	Director, Chairman President - The MINT National Bank	Chairman, The Village Learning Center, Inc. (non-profit housing for special needs individuals).	17.58%	None	N/A
Kenneth W. Meyer Houston, Texas, USA	Banker	Secretary of the Board	SVP, CFO, Secretary The MINT National Bank	N/A	0.88%	None	N/A
Don N. Le Houston, Texas, USA	Dental Surgeon	Director	Director, The MINT National Bank	Don N. Le DDS PA - President Maison Blanche Int LLC - President Americas Center GP - Partner Americas Center LP - Partner	8.26%	None	Don N. Le DDS PA - 100% Maison Blanche INT LLC - 100% Americas Center GP - 50% Americas Center LP - 50%
Edward Chiu Houston, Texas, USA	Owner - Construction Company	Director	Director, The MINT National Bank	President, Echco Construction, Inc.	1.76%	None	Echco Construction, Inc. - 100%
Edmond S. Solymosy College Station, Texas, USA	Retired U.S. Army Brigadier General	Director	Director, The MINT National Bank	None	1.59%	None	None
Michael W. Clapp Kingwood, Texas, USA	Owner/manager of two realty offices	Director	Director, The MINT National Bank	Owner of two Keller Williams Realty Offices	0.18%	None	45% owner of Flutobo, Inc.,
Micheal W. Postel Houston, Texas, USA	Owner - Construction Company	Director	Director, The MINT National Bank	President/Secretary President President Secretary/Treasurer Member President President Manager Member President President Owner (R.E. holding) Owner (R.E. holding) Owner (R.E. holding) Owner (R.E. holding)	5.23%	None	Postel Holdings, L.L.C. - 75% Postel International, Inc. - 100% Postel-West, Inc. - 100% Postel Building Systems, L.L.C. - 100% Postel Holdings II, LLC - 100% Ameristeel Manufacturiing, Inc. - 100% Maximilian Real Estate Holding, LLC - 100% Crocket Crossing, L.L.C. - 100% Postel Holdings III, LLC - 80% Ameristeel International, Inc. - 100% Polk County Equipment, Inc. - 100% Adams Street Holdings, LLC - 100% C.C. 481, LLC - 100% Postel Adams, LLC - 50% Spring Creek Homes Inc. - 100%

Revised

FORM FR Y-6
The MINT Holdings, Inc.
Fiscal Year Ending December 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%
				Owner (R.E. holding)			Postel Group, Inc. (Texas) - 100%
				Owner (R.E. holding)			Postel Group, Inc. (Anguilla) - 100%
				President			Postel International, L.L.C. - 90%
				President			PRB Aviation, LLC - 50%
				Member			Innerstaff, LLC - 100%
				Member			Innerstaff Plus, LLC - 100%
				Member			Innerstaff East, LLC - 100%
				Owner (R.E. holding)			Pacific & Metcalf LLC - 80%
				Owner			Main Street Business Group, LLC. - 100%
				Owner			Cash In A Flash, LLC - 100%
				Owner			Workforce Logistix East, LLC - 50%
				Owner			Pacific Yard House - 80%
				Owner			Marlin-Tini, LLC - 100%
				Owner			PCE Equipment Services, LLC - 51%
				Owner			Simonton Holdings, LLC - 50%
				Owner			MS Capital, LLC - 50%
				Owner			M-S Holdings, LLC - 85%
				Member			Steelco, Inc. - 75%
				Member			Steel Connections - 45%
				Member			Risk Logistix, LLC - 50%
				Member			Perpetual Labor Sourcing, LLC. - 40%
				Member			Maverick Crane & Rigging, LLC - 80%
				Member			C.C. Civil, LLC - 80%
				Member			Ventos Power Plus, LLC - 85%
				Member			Digital Ninja, LLC - 100%
				Member			Postel-Welco, LLC - 100%
				Member			Wunderlick Development, LLC - 70%
				Director			Risk Logistics, LTD - 100%
				Director			Melma, LTD - 100%
				Member			XG Louetta, LLC - 85%

The MINT Holdings, Inc.

Consolidated Financial Statements and Supplementary Information

For the Years Ended December 31, 2020 and 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
The MINT Holdings, Inc.
Kingwood, Texas

We have audited the accompanying consolidated financial statements of The MINT Holdings, Inc. (a Texas corporation) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of 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 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.

Auditors' 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 auditors' 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 auditors consider 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.

To the Board of Directors and Stockholders of
The MINT Holdings, Inc.
Re: Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The MINT Holdings, 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 accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

March 31, 2020

THE MINT HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	$ 8,819,033	$ 722,036
Federal funds sold	44,995,000	50,214,000
Total cash and cash equivalents	53,814,033	50,936,036
Loans receivable, net	303,253,113	183,327,438
Loans held for sale, at fair value	6,866,054	5,284,981
Accrued interest and accounts receivable	3,074,851	2,806,480
Premises and equipment, net	391,702	477,148
Other real estate owned, net	193,466	794,036
Servicing rights, net	1,807,305	1,348,153
Deferred tax assets, net	1,962,591	985,564
Nonmarketable equity securities	862,900	654,000
Prepaid expenses and other assets	232,000	226,647
TOTAL ASSETS	$ 372,458,015	$ 246,840,483
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand deposits	$ 25,836,915	$ 21,709,322
Money market, savings and checking	64,290,742	40,473,385
Time deposits	162,128,499	152,416,205
Total deposits	252,256,156	214,598,912
Accrued interest payable and other liabilities	4,786,815	1,709,107
Line of credit	3,000,000	1,000,000
Paycheck Protection Liquidity Facility	79,519,692	-
Subordinated debenture, net	6,884,925	6,871,753
Total liabilities	346,447,588	224,179,772
Stockholders' equity		
Common stock, $5 par value; 10,000,000 shares authorized, 1,137,958 shares issued and outstanding at December 31, 2020 and 2019, respectively	5,689,790	5,689,790
Capital surplus	8,073,780	8,073,780
Retained earnings	12,246,857	8,897,141
Total stockholders' equity	26,010,427	22,660,711
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 372,458,015	$ 246,840,483

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

THE MINT HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Interest income		
Interest and fees on loans	$ 14,942,526	$ 12,023,955
Federal funds sold	154,497	993,863
Other investments	37,862	48,086
Total interest income	15,134,885	13,065,904
Interest expense		
Deposits	3,544,438	4,342,805
Loan advances	208,340	292
Subordinated debenture	520,672	519,715
Total interest expense	4,273,450	4,862,812
Net interest income	10,861,435	8,203,092
Provision for loan losses	3,186,000	427,000
Net interest income after provision for loan losses	7,675,435	7,776,092
Noninterest income		
Net gain on sales of SBA loans	6,740,086	2,875,819
Net gain on servicing rights	851,012	344,126
Service charges on deposits	30,807	32,805
Other customer service fees	11,166	20,465
Total noninterest income	7,633,071	3,273,215
Noninterest expense		
Salaries and employee benefits	6,464,650	4,343,511
Occupancy	626,857	583,558
Data and check processing	580,539	632,069
Loan administration and maintenance	2,540,040	340,065
Advertising	139,977	163,813
Professional and exam fees	362,380	366,580
Office supplies	35,953	42,343
Insurance and assessment	38,753	34,152
Travel expense	10,887	47,996
Other operating expenses	268,324	196,642
Total noninterest expense	11,068,360	6,750,729
Income before income taxes	4,240,146	4,298,578
Income tax expense	890,430	902,974
NET INCOME	$ 3,349,716	$ 3,395,604

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

THE MINT HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock	Capital Surplus	Retained Earnings	Total Stockholders' Equity
BALANCE, DECEMBER 31, 2018	$ 5,689,790	$ 8,073,780	$ 5,501,537	$ 19,265,107
Net income	-	-	3,395,604	3,395,604
BALANCE, DECEMBER 31, 2019	5,689,790	8,073,780	8,897,141	22,660,711
Net income	**-**	**-**	**3,349,716**	**3,349,716**
BALANCE, DECEMBER 31, 2020	**$ 5,689,790**	**$ 8,073,780**	**$ 12,246,857**	**$ 26,010,427**

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

THE MINT HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Net income	$ 3,349,716	$ 3,395,604
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	158,017	148,493
Provision for loan losses	3,186,000	427,000
Write down of other real estate owned	482,913	-
Net gain on sales of SBA loans	(6,740,086)	(2,875,819)
Net gain on servicing assets	(851,012)	(344,126)
Deferred income tax benefit	(977,027)	128,510
Changes in operating assets and liabilities:		
Loans held for sale	5,159,013	403,113
Accrued interest and accounts receivable	(268,371)	(1,272,684)
Servicing rights	391,860	583,109
Prepaid expenses and other assets	(5,353)	38,760
Accrued interest payable and other liabilities	3,077,708	113,261
Net cash from operating activities	6,963,378	745,221
Cash flows from investing activities		
Purchase of nonmarketable equity securities	(208,900)	(36,400)
Proceeds from sale of other real estate owned	194,145	900,000
Purchases of premises and equipment	(59,399)	(53,973)
Net change in loans	(123,188,163)	(24,966,908)
Net cash from investing activities	(123,262,317)	(24,157,281)
Cash flows from financing activities		
Net change in demand deposits	4,127,593	9,902,602
Net change in money market, savings and checking deposits	23,817,357	(3,970,623)
Net change in time deposits	9,712,294	29,296,720
Net change in line of credit	2,000,000	1,000,000
Proceeds from Paycheck Protection Liquidity Facility	79,519,692	-
Net cash from financing activities	119,176,936	36,228,699
Net change in cash and cash equivalents	2,877,997	12,816,639
Cash and cash equivalents, beginning of year	50,936,036	38,119,397
Cash and cash equivalents, end of year	$ 53,814,033	$ 50,936,036
Supplemental disclosure of cash flow information:		
Interest paid	$ 4,097,145	$ 4,819,928
Income taxes paid	$ 665,000	$ 805,000
Transfer of OREO	$ (76,488)	$ 1,694,036

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

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The MINT Holdings, Inc. (MINT Holdings) is a bank holding company headquartered in Kingwood, Texas. MINT Holdings provides commercial and consumer banking services through The MINT National Bank (the "Bank"). The Bank was formed as a national banking association to operate a full-service commercial bank offering a wide range of products and services in the greater Houston, Texas metropolitan area. The Bank was formed as a C corporation and began operations on January 5, 2009. It is the policy of the Bank, consistent with safe and sound banking operations, to meet the deposit and credit needs of the entire community and not to purposefully exclude or discriminate against any area of the community. In addition to its main office, the Bank has four locations for lending purposes; a Small Business Administration (SBA) office in New Jersey and three loan production offices in the greater Houston area.

The Bank's primary deposit products are money market savings, demand deposits and certificates of deposit. The Bank also offers money market accounts. Its primary lending products are commercial mortgage loans, construction loans and commercial loans offered through the U.S. SBA. The Bank also purchases residential loans originated by others. The Bank also offers treasury management products including internet banking and cash management services.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Consolidation – The consolidated financial statements include the accounts of MINT Holdings and the Bank (collectively referred to as the "Company"). All significant intercompany accounts and transactions have been eliminated upon consolidation.

Segment Reporting – While management monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. All of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change are related to the determination of the allowance for loan losses, the valuation of servicing assets, deferred income taxes, stock-based compensation and fair value of financial instruments.

Risks and Uncertainties – During 2020, many countries around the world, including the United States, were impacted by the coronavirus (the "virus" or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve unavailability of personnel, and disruptions of supply chains. At this time, management is unaware of any material risk to the Company's financial statements and cannot quantify the full extent the virus may have on the Company's financial information. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Company.

Cash and Cash Equivalents – For the purpose of reporting cash flows, cash and cash equivalents include cash, federal funds sold, and due from banks. Generally, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents. In monitoring credit risk associated with uninsured deposits, the Company periodically evaluates the stability of the correspondent financial institutions.

Federal Funds Sold or Purchased – Federal funds transactions involve lending (federal funds sold) or borrowing (federal funds purchased) of immediately available reserve balances. Usually, the federal funds transactions are for one day or overnight borrowing and lending. In addition, agreements may include rollover provisions. In monitoring credit risk associated with these uninsured deposits, the Company periodically evaluates the stability of the correspondent financial institutions. As of December 31, 2020 and 2019, the Company did not have any federal funds purchased and had $44,995,000 and $50,214,000, respectively, of federal funds sold.

Transfers of Financial Assets – Transfers of financial assets, typically commercial and residential loans for the Company, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the transferred assets have been isolated from the Company, (2) each transferee obtains the unconditional right to pledge or exchange the assets it receives, and (3) the Company does not maintain effective control of the transferred assets.

Loans Receivable – Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts, and net of any deferred fees or costs on originated loans. Loans are considered past due or delinquent based on the contractual terms in the loan agreement and how recently repayments have been received. Loans are charged off as uncollectible when, in the opinion of management, collectability of principal is improbable.

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of discounted cash flows. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near-term. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Allowances for impaired loans are generally determined based on collateral values or the present value of discounted cash flows.

Interest income is recognized based upon principal amounts outstanding. The accrual of interest on a loan is discontinued when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal. Interest previously accrued but uncollected on such loans is reversed and charged against current income. Subsequent interest collected on such loans is credited to loan principal if, in the opinion of management, collectability of principal is doubtful; otherwise, the interest collected is recognized as income and resumption of interest accruals may occur.

Loans originated and intended for sales in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses recognized upon the sale of the loans are determined on a specific identification method and are recorded in noninterest income. Loans held for sale at December 31, 2020 and 2019 were $6,866,054 and $5,284,981, respectively.

Servicing Rights – Servicing rights on originated loans that have been sold are capitalized by allocating the total cost of the mortgage loans between the servicing rights and the loans based on their relative fair values. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenues. Impairment of mortgage-servicing rights is assessed based on the fair value of those rights.

Other Real Estate Owned (OREO) – OREO consists of properties acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraisal value, less estimated costs to sell.

Loan losses arising from the acquisition of such properties are charged against the allowance for loan losses; subsequent valuation adjustments are charged to expense and the basis of the properties are reduced accordingly by a reserve account. These properties are not held for the production of income and, therefore, are not depreciated. Significant improvements to increase resale value are capitalized and added to the value of the property. OREO amounted to $193,466 and $794,036 at December 31, 2020 and 2019, respectively.

Premises and Equipment – Bank premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed principally by the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Maintenance and repairs which do not extend the life of banking premises and equipment are charged to expense.

Income Taxes – The Company uses the liability method of accounting for income taxes. Income taxes are provided for the tax effects of transactions reported in the consolidated balance sheets and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets or liabilities.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. For 2020 and 2019, the Company did not recognize any interest or penalty expense related to uncertain tax positions for income taxes. The Company does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next 12 months.

State Margin Taxes – The Texas state margin tax applies to legal entities conducting business in Texas. The tax is calculated by applying a tax rate to a base that considers both revenues and expenses and, therefore, has the characteristics of an income tax. For 2020 and 2019, the state margin tax expensed was approximately $8,000 and $4,000, respectively, included in other operating expenses on the consolidated statements of income.

Stock Options – Stock-based compensation is accounted for under the fair value method. The expense associated with stock-based compensation is recognized over the vesting period of each individual arrangement.

Financial Instruments With Off-Balance-Sheet Risk – In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Fair Value Measurements – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure the fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of fair value hierarchy prioritizes the inputs used to measure fair value as follows:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than Level 1 inputs that are observable, either directly or indirectly, 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 for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose nature is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The assets or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques utilized to determine fair value are consistently applied.

Advertising Costs – The Company expenses advertising costs as incurred. Advertising expense was $139,977 and $163,813 for 2020 and 2019, respectively.

Concentration of Credit Risk – Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

Revenue Recognition – The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue From Contracts With Customers* (ASC 606), establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Company's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans, letters of credit, and fed funds sold, as these activities are subject to other GAAP discussed elsewhere within the Company's disclosures. Descriptions of the Company's revenue-generating activities that are within the scope of ASC 606, which are presented in the Company's consolidated statements of income as components of noninterest income are as follows:

Service Charges on Deposit Accounts – These represent general service fees for monthly account maintenance and activity or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue consisting primarily of overdraft and nonsufficient funds fees, is recognized when the Company's performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed. Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Other Customer Service Fees – This primarily includes items such as loan and letter of credit fees, gain on sales of SBA loans, gain on servicing rights, late charges, and other general operating income, none of which are subject to the requirements of ASC 606.

Recently Adopted Accounting Pronouncements – In August 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* This update modifies the disclosure requirements on fair value measurement in Topic 820, *Fair Value Measurement.* The amendments in this update are effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this update may be early adopted and require a prospective transition approach for certain prescribed disclosure requirements, with all other amendments applied retrospectively.

Recently Issued Accounting Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* as amended in July 2018 by ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements*, that replace existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the consolidated balance sheets. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of income.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact the provisions of these ASU's and anticipates recognition of additional assets and corresponding liabilities relating to these leases on the consolidated balance sheets, but does not expect the adjustment to be material assuming no changes in lease activity.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. In November 2019, the FASB issued ASU 2019-10, which provides a one-year deferral of the effective dates of ASU No. 2016-13. Accordingly, the guidance is effective for fiscal years beginning after December 15, 2022 for nonpublic companies. The Company is currently evaluating the impact the adoption of this standard would have on the financial statements and related disclosures.

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

Reclassification – Certain reclassifications of prior year amounts have been made to conform with the current year presentation, none of which were considered material to the Company's financial statements.

NOTE 2 – RESTRICTIONS ON CASH AND DUE FROM BANKS

The Bank is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank of Dallas. At December 31, 2019, the Company's total assets were below the threshold for Federal Reserve Bank requirements. The Federal Reserve Board set all reserve requirement ratios for transaction accounts to 0.00% in March 2020, thus the Bank had no reserve requirements at December 31, 2020.

NOTE 3 – LOANS RECEIVABLE

The components of loans receivable in the consolidated balance sheets were as follows at December 31:

	2020	Percent	2019	Percent
Residential mortgage	$ 31,395,914	9.6%	$ 26,061,485	13.5%
Construction	39,201,780	12.3%	33,691,251	17.5%
Commercial mortgage	162,275,265	50.9%	118,280,074	61.3%
Commercial and industrial	85,908,822	26.9%	13,339,444	6.9%
Consumer and other	945,832	0.3%	1,546,805	0.8%
Subtotal	319,727,613	100.0%	192,919,059	100.0%
Less: SBA deferred gains	(1,647,070)		(1,343,140)	
Less: unearned loan fees	(2,558,481)		(348,741)	
Less: loans held for sale	(6,866,054)		(5,284,981)	
Add: unamortized premiums	287,363		270,165	
Less: allowance for loan losses	(5,690,258)		(2,884,924)	
Net loans	$ 303,253,113		$ 183,327,438	

As of December 31, 2020 and 2019, the majority of the Company's loan customers were located in Texas.

Allowance for Loan Losses and Recorded Investment in Loans – A summary of the allowance for loan losses and recorded investment in loans were as follows:

	(Dollars in Thousands)					
	Residential Mortgage	Construction	Commercial Mortgage	Commercial and Industrial	Consumer and Other	Total
December 31, 2020						
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ -	$ -	$ 75	$ -	$ -	$ 75
Ending balance: collectively evaluated for impairment	771	816	3,575	419	34	5,615
Totals	$ 771	$ 816	$ 3,650	$ 419	$ 34	$ 5,690
Loans:						
Ending balance: individually evaluated for impairment	$ -	$ -	$ 2,367	$ -	$ -	$ 2,367
Ending balance: collectively evaluated for impairment	31,397	39,202	159,907	85,908	946	317,360
Totals	$ 31,397	$ 39,202	$ 162,274	$ 85,908	$ 946	$ 319,727

	(Dollars in Thousands)					
	Residential Mortgage	Construction	Commercial Mortgage	Commercial and Industrial	Consumer and Other	Total
December 31, 2019						
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ -	$ -	$ 150	$ -	$ -	$ 150
Ending balance: collectively evaluated for impairment	319	384	1,851	164	18	2,736
Totals	$ 319	$ 384	$ 2,001	$ 164	$ 18	$ 2,886
Loans:						
Ending balance: individually evaluated for impairment	$ -	$ -	$ 1,556	$ -	$ -	$ 1,556
Ending balance: collectively evaluated for impairment	26,062	33,691	116,724	13,339	1,547	191,363
Totals	$ 26,062	$ 33,691	$ 118,280	$ 13,339	$ 1,547	$ 192,919

A summary of activities for the allowance for loan losses were as follows at December 31:

	(Dollars in Thousands)	
	2020	2019
Allowance for loan losses:		
Beginning balance	**$ 2,886**	$ 3,262
Provision for loan losses	**3,186**	427
Charge-offs	**(382)**	(803)
Ending balance	**$ 5,690**	$ 2,886

In addition to the allowance for loan losses, the Company also estimates probable losses related to unfunded lending commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Company's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, performance trends within specific portfolio segments and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. As of December 31, 2020 and 2019, there was no allowance for losses on unfunded lending commitments.

Nonperforming Assets – The following tables present an aging analysis of the recorded investment of past due loans. Payment activity is reviewed by management on a monthly basis to determine the performance of each loan. Loans are considered to be nonperforming when a loan is greater than 90 days delinquent.

Loans that are 90 days or more past due may still accrue interest if they are well-secured and in the process of collection.

(Dollars in Thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
December 31, 2020						
Residential mortgage	**$ 58**	**$ -**	**$ -**	**$ 58**	**$ 31,341**	**$ 31,399**
Construction	**-**	**-**	**-**	**-**	**39,202**	**39,202**
Commercial mortgage	**2,867**	**4,842**	**-**	**7,709**	**154,563**	**162,272**
Commercial and industrial	**-**	**-**	**-**	**-**	**85,908**	**85,908**
Consumer and other	**-**	**-**	**-**	**-**	**946**	**946**
Totals	**$ 2,925**	**$ 4,842**	**$ -**	**$ 7,767**	**$ 311,960**	**$ 319,727**
December 31, 2019						
Residential mortgage	$ 659	$ -	$ -	$ 659	$ 25,402	$ 26,061
Construction	-	-	-	-	33,691	33,691
Commercial mortgage	767	-	503	1,270	117,011	118,281
Commercial and industrial	-	-	-	-	13,339	13,339
Consumer and other	-	-	-	-	1,547	1,547
Totals	$ 1,426	$ -	$ 503	$ 1,929	$ 190,990	$ 192,919

As of December 31, 2020 and 2019, the Company did not have any loans that were 90 days past due and accruing interest.

The following table sets forth nonperforming assets at December 31:

(Dollars in Thousands)	**2020**	2019
Nonaccrual loans		
Residential mortgage	**$ -**	$ 57
Commercial mortgage	**1,045**	503
Total nonaccrual loans	**1,045**	560
OREO	**193**	794
Total nonperforming assets	**$ 1,238**	$ 1,354
Nonperforming assets to gross loans	**0.39%**	0.70%
Nonperforming assets to total assets	**0.33%**	0.55%

Credit Quality Indicators – This grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements in accordance with the loan terms. The Company's internal credit risk grading system is based on management's experiences with similarly graded loans.

Credit risk grades are reassessed each quarter based on any recent developments potentially impacting the creditworthiness of the borrower, as well as other external statistics and factors, which may affect the risk characteristics of the respective loan.

The Company's internally assigned grades are as follows:

- **Pass** – Loans that are considered to have sufficient quality to preclude a lower rating. Pass loans are generally well protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.

- **Special Mention** – Has potential weakness that deserves close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date.

- **Substandard** – A loan that is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must 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** – Has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include: proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

- **Loss** – Considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this loan even though partial recovery may occur in the future.

The following table represents the credit exposure by internally assigned grades.

	(Dollars in Thousands)					
	Residential Mortgage	Construction	Commercial Mortgage	Commercial and Industrial	Consumer and Other	Totals
December 31, 2020						
Grade						
Pass	**$ 31,344**	**$ 38,971**	**$ 156,647**	**$ 85,909**	**$ 946**	**$ 313,817**
Special mention	**-**	**-**	**3,260**	**-**	**-**	**3,260**
Substandard	**53**	**231**	**2,366**	**-**	**-**	**2,650**
Totals	**$ 31,397**	**$ 39,202**	**$ 162,273**	**$ 85,909**	**$ 946**	**$ 319,727**
December 31, 2019						
Grade						
Pass	$ 26,005	$ 33,691	$ 112,795	$ 13,339	$ 1,547	$ 187,377
Special mention	-	-	3,929	-	-	3,929
Substandard	57	-	1,556	-	-	1,613
Totals	$ 26,062	$ 33,691	$ 118,280	$ 13,339	$ 1,547	$ 192,919

There were no loans assigned to the doubtful or loss grade as of December 31, 2020 and 2019.

As a result of the economic impact of COVID-19, commercial asset quality weakened during 2020. The potential COVID-19 exposure is spread across multiple industries including hospitality and travel. The Company increased the provision for loan losses to $3,186,000 from $427,000 for 2019 to provide for the potential exposure. Approximately $2,150,000 of the provision resulted from the Company increasing the risk factors used in its potential exposure estimates. The larger provision resulted in the allowance for loan loss increasing from $2,885,000 to $5,690,000 as of December 31, 2020.

Impaired Loans – The following table includes the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable. Management determined the specific allowance based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded. Also presented in the table are the average recorded investments in the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired.

When the ultimate collectability of the total principal balance of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received under the cash basis method. The average balances are calculated based on the month-end balances of the financing receivables of the period reported.

	(Dollars in Thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
December 31, 2020				
With no related allowance recorded:				
Commercial mortgage	**$ 1,044**	**$ 1,044**	**$ -**	**$ 1,079**
With an allowance recorded:				
Commercial mortgage	**$ 1,324**	**$ 1,324**	**$ 75**	**$ 883**
Totals:				
Commercial mortgage	**$ 2,368**	**$ 2,368**	**$ 75**	**$ 1,962**
December 31, 2019				
With no related allowance recorded:				
Residential mortgage	$ -	$ -	$ -	$ 193
Commercial mortgage	1,114	1,114	-	995
With an allowance recorded:				
Commercial mortgage	$ 442	$ 442	$ 150	$ 915
Totals:				
Residential mortgage	$ -	$ -	$ -	$ 193
Commercial mortgage	1,556	1,556	150	1,910

During 2020 and 2019, there was no interest income recognized for these loans subsequent to their classification as impaired. Furthermore, the Company stopped accruing interest on these loans on the date they were classified as nonaccrual, reversed any uncollected interest that had been accrued as income and began recognizing interest income only as cash interest payments are received.

Paycheck Protection Program – The Company is participating in the Paycheck Protection Program (PPP), which is a loan program that originated from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was subsequently expanded by the PPP and Health Care Enhancement Act.

The PPP is designed to provide small businesses with cash-flow assistance through loans fully guaranteed by the SBA. If the borrower meets certain criteria and uses the proceeds towards certain eligible expenses, the borrower's obligation to repay the loan can be forgiven up to the full principal amount of the loan and any accrued interest. Upon borrower forgiveness, the SBA pays the Company for the principal and accrued interest owed on the loan. If the full principal of the loan is not forgiven, the loan will operate according to the original loan terms with the 100% SBA guaranty remaining. As of December 31, 2020, the Company had approximately 759 PPP loans with outstanding balances totaling $78,186,000. As compensation for originating the loans, the Company received lender processing fees from the SBA which were recognized as income and expense.

All lenders that are eligible to originate PPP loans are eligible to borrow under the Paycheck Protection Program Liquidity Facility (Facility) authorized under section 13(3) of the Federal Reserve Act. The Facility is intended to facilitate lending by eligible borrowers to small businesses under the PPP loans. Under the Facility, the Federal Reserve Banks will lend to eligible borrowers on a non-recourse basis, taking PPP loans as collateral. At December 31, 2020 the Company had an outstanding balance on the Facility of $79,519,692.

Troubled Debt Restructured Loans – Restructured loans are considered "troubled debt restructuring" if, due to the borrower's financial difficulties, the Company granted a concession that it would not otherwise consider. This may include a transfer of real estate or other assets from the borrower, a modification of loan terms, rates, or a combination of the two. As of December 31, 2020 and 2019, the Company had no loans considered to be troubled debt restructurings.

The Company is working with borrowers impacted by COVID-19 and providing modifications to include interest only deferral or principal and interest deferral. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators. As of December 31, 2020, the Company modified 54 loans with outstanding balances of approximately $25,000,000.

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 foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

NOTE 4 – NONMARKETABLE EQUITY SECURITIES

The Company has acquired stock in the Federal Reserve Bank and The Federal Home Loan Bank of Dallas. The carrying value of these stocks at December 31, 2020 and 2019 were $862,900 and $654,000, respectively, and is accounted for using the cost basis of accounting. Both cash and stock dividends are reported as income.

NOTE 5 – PREMISES AND EQUIPMENT

Components of premises and equipment included in the consolidated balance sheets were as follows at December 31:

	2020	2019
Cost		
Bank premises and leasehold improvements	$ **829,174**	$ 797,704
Furniture and equipment	**775,478**	747,549
Total cost	**1,604,652**	1,545,253
Less: accumulated depreciation	**(1,212,950)**	(1,068,105)
Total premises and equipment, net	$ **391,702**	$ 477,148

Depreciation expense was $144,845 and $137,236 for 2020 and 2019, respectively.

NOTE 6 – OTHER REAL ESTATE OWNED

The activity in OREO was as follows at December 31:

	2020	2019
Balance, beginning of year	$ **794,036**	$ -
Additions	**76,488**	1,694,036
Cash settlements	**(194,145)**	(900,000)
Write-downs	**(482,913)**	-
Balance, end of year	$ **193,466**	$ 794,036

At December 31, 2020 and 2019, the Company had no foreclosed residential real properties where physical possession has occurred and no significant properties where formal foreclosure procedures are in process.

NOTE 7 – LEASES

Certain bank facilities are leased under various noncancelable operating leases. Rent expense under the operating leases was $327,210 and $310,536 for 2020 and 2019, respectively.

Future minimum rental commitments under noncancelable operating leases were as follows:

For the Year Ending December 31,	Amount
2021	$ 239,045
2022	209,698
2023	47,799
2024	-
Thereafter	-
Total	$ 496,542

NOTE 8 – MATURITIES OF TIME DEPOSITS

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

Maturity	Amount
One year or less	$ 109,511,184
One to three years	42,278,654
Three to five years	10,338,661
Total	$ 162,128,499

At December 31, 2020 and 2019, the Company had approximately $42,290,208 and $35,377,647, respectively, in time deposits $250,000 and over. At December 31, 2020, approximately $30,671,981 of time deposits $250,000 and over mature within one year. Interest expense on time deposits in denominations of $250,000 or more amounted to approximately $675,000 and $753,000 for 2020 and 2019, respectively.

NOTE 9 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Company has outstanding commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments as it does for instruments that are included in the financial statements.

Financial instruments whose contract amounts represent off-balance-sheet credit risk were as follows at December 31:

	Contract Amount	
	2020	2019
Commitments to extend credit	**$ 35,476,082**	$ 41,168,705
Standby letters of credit	**$ -**	$ 238,000

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 are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness 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. Collateral held varies and may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. In the event of nonperformance by the customer, the Company has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The credit risk to the Company in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may have various outstanding commitments and contingent liabilities. The Company has entered into a stock option agreement to provide stock options contingent upon an agreement with an employee. The Company has a consulting agreement with a third-party that is terminable upon mutual agreement between the Company and the consultant. As of December 31, 2020 and 2019, management was not aware of any material commitments or contingent liabilities requiring accrual or disclosure.

NOTE 11 – LINE OF CREDIT

During 2019, the Company entered a line of credit with a financial institution. The Company has a $3,000,000 line of credit with interest at the Bank's prime rate (3.25% and 4.75% at December 31, 2020 and 2019, respectively) plus 0.50%. The line of credit is secured by all of the common stock of the Bank. There were $3,000,000 and $1,000,000 borrowings against the line of credit at December 31, 2020 and 2019, respectively.

During 2019, the Bank entered a federal funds line with a financial institution. At December 31, 2020, the Bank had $6,000,000 of unsecured federal funds lines of credit available with other banks. The lender may, at its discretion, require security prior to selling funds to the Bank. At December 31, 2020, the Bank did not have any borrowings against the line.

The Bank is a member of the Federal Home Loan Bank of Dallas that provides funding through advance agreements to its members. These advances are collateralized by a blanket lien on the Bank's loans. The borrowing capacity of the advances is limited to 35% of the Bank's assets, calculated on a quarterly basis. The borrowing capacity at December 31, 2020 and 2019 was approximately $120,601,000 and $86,444,000, respectively.

NOTE 12 – SUBORDINATED DEBT

In 2017, the Company completed the private placement of $7,000,000 in subordinated debt for the purpose of increasing its capital position and general corporate purposes. The debt accrues interest at simple interest of 7.25% per annum from issuance date to the fixed rate period end date in 2022, at which time a floating rate period begins and ends at maturity in 2027, with interest equal to LIBOR plus 5.32%. The Company pays interest on a quarterly basis, with the principal balance due at maturity on June 21, 2027. The debt is redeemable at any time, in whole or in part, on or after the fifth anniversary of the date of issuance. The debt agreement requires the Company to maintain certain financial ratios. At December 31, 2020, the Company was in compliance with all required ratios.

Debt issuance costs related to the subordinated debt in the amount of $156,473 were capitalized and are being amortized using the effective interest method over the terms of the loan. Amortization was $13,172 and $12,215 for 2020 and 2019, respectively. As of December 31, 2020 and 2019, unamortized debt issuance costs were $115,075 and $128,247, respectively, and are included within subordinated debenture, net in the consolidated balance sheets. As of December 31, 2020 and 2019, subordinated debt net of unamortized debt issuance costs totaled $6,884,925 and $6,871,753, respectively. For 2020 and 2019, interest expense on the subordinated debt amounted to $590,818 and $519,715, respectively.

NOTE 12 – INCOME TAXES

The Company files a consolidated federal income tax return. The components of income tax expense were as follows at December 31:

		2020		2019
Current	$	**1,867,457**	$	747,228
Deferred		**(977,027)**		155,746
Total income tax expense	$	**890,430**	$	902,974

The income tax expense for 2020 and 2019 differs from the amounts computed by applying the federal income tax rate of 21% to earnings before federal income tax expense. These differences are primarily caused by expenses that are not deductible for tax purposes and tax adjustments related to prior federal income tax returns.

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below at December 31:

		2020		2019
Computed at the statutory rate (21%)	$	**890,430**	$	902,702
Decrease resulting from:				
Temporary differences and other		**-**		272
Actual tax expense	$	**890,430**	$	902,974

The tax effects of temporary differences related to deferred taxes were as follows at December 31:

		2020		2019
Deferred tax assets				
Allowance for loan losses	$	**1,346,798**	$	564,663
SBA loans		**408,005**		465,658
Accrued bonuses		**147,425**		30,869
Other		**91,120**		(9,371)
Total deferred tax assets		**1,993,348**		1,051,819
Deferred tax liabilities				
Premises and equipment		**(30,757)**		(66,255)
Total deferred tax assets, net	$	**1,962,591**	$	985,564

The Company files income tax returns in the U.S. federal jurisdiction and two state jurisdictions.

NOTE 13 – REGULATORY MATTERS

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, which if undertaken, could have a direct material effect on the Bank's financial statements

Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's 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.

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 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 institution's category. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total risk-based capital, Tier 1 capital to risk-weighted assets, common equity Tier 1 capital to risk-weighted assets, and Tier 1 capital to adjusted total assets. As of December 31, 2020 and 2019, the Company was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events that management believes have changed the Company's prompt corrective action 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 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.

The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019 are presented as follows:

	Actual		Required to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
As of December 31, 2020 (in thousands):				
Tier I Capital (to Average Assets)	**$ 35,707**	**12.04%**	**$ 23,722**	**8.00%**

	Actual		Minimum Capital Required Under Basel III Phase-in		Required to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019 (in thousands):						
Total Capital (to Risk-Weighted Assets)	$ 32,786	16.46%	$ 20,914	≥10.500%	$ 19,919	≥10.00%
Tier I Capital (to Risk-Weighted Assets)	$ 30,291	15.21%	$ 16,931	≥8.500%	$ 15,935	≥8.00%
Common Equity Tier I Capital (to Risk-Weighted Assets)	$ 30,291	15.21%	$ 13,943	≥7.000%	$ 12,947	≥6.50%
Tier I Capital (to Average Assets)	$ 30,291	12.20%	$ 9,928	≥4.500%	$ 12,411	≥5.00%

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a description of the valuation techniques used for assets and liabilities measured at fair value as of December 31, 2020 and 2019. There were no assets or liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019.

Certain financial assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

Fair value is used on a nonrecurring basis to measure certain assets when applying the lower of cost or market accounting or when adjusting carrying values.

The following table presents recorded amounts of assets measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019, by valuation hierarchy.

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2020				
Nonrecurring basis				
OREO	$ -	$ -	$ **193,466**	$ **193,466**
Impaired loans, net	-	-	**2,367,348**	**2,367,348**
Totals	$ -	$ -	$ **2,560,814**	$ **2,560,814**
December 31, 2019				
Nonrecurring basis				
Impaired loans, net	$ -	$ -	$ 1,555,608	$ 1,555,608
Totals	$ -	$ -	$ 1,555,608	$ 1,555,608

Collateral Dependent Loans – Collateral dependent loans consist of impaired collateral dependent commercial real estate and construction loans and are measured at fair value under Level 3 of the fair value hierarchy on a nonrecurring basis. The fair values of these loans are based on third-party appraisals of the underlying collateral value as well as management's internal analysis.

NOTE 15 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has entered into transactions with its executive officers, directors and significant stockholders. For 2020 and 2019, fees paid to directors totaled $143,050 and $118,100, respectively. Deposits from related parties held by the Company at December 31, 2020 and 2019 amounted to $5,628,119 and $4,720,452, respectively.

The aggregate amount of loans to such related parties were as follows at December 31:

	2020	2019
Loans outstanding at January 1	$ **747,500**	$ 401,456
New loans	-	747,500
Repayments	-	(401,456)
Loans outstanding at December 31	$ **747,500**	$ 747,500

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, those loans did not involve more than normal risk of collectability or present other unfavorable features.

NOTE 16 – PROFIT SHARING PLAN

The Company has a profit sharing plan, which is Board approved. Employees must be 21 years of age and work three consecutive months from the date of employment to become eligible. All contributions are discretionary and allocated to the participants based on their compensation. The Company contributed $202,389 and $91,308 to the profit sharing plan in 2020 and 2019, respectively.

NOTE 17 – STOCK OPTION PLAN

The Company's 2013 Equity Incentive Plan (the "Plan"), which is stockholder approved, permits the granting of stock options to its employees for up to 100,000 shares of common stock.

The Company believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the estimated fair value of the Company's stock at the date of grant; those option awards generally vest based on three to five years of continuous service and have contractual terms not to exceed 10 years. Certain option awards provide for accelerated vesting if there is a change in control as defined in the Plan.

The fair value of each option award is estimated on the date of grant using a binomial option valuation model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock and other factors. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant. There were no grants issued during 2020 and 2019.

A summary of option activity under the Plan as of December 31, 2020 and 2019 and changes during the years then ended are presented as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
December 31, 2020			
Outstanding, beginning of year	**45,000**	**$ 12.96**	**6.61**
Granted	-	-	-
Exercised	-	-	-
Forfeited or expired	-	-	-
Outstanding, end of year	**45,000**	**$ 12.96**	**4.73**
Exercisable, end of year	**35,500**	**$ 12.87**	**4.59**

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
December 31, 2019			
Outstanding, beginning of year	45,000	$ 12.96	6.84
Granted	-	-	-
Exercised	-	-	-
Forfeited or expired	-	-	-
Outstanding, end of year	45,000	$ 12.96	6.61
Exercisable, end of year	28,500	$ 12.78	6.17

A summary of the status and changes of the Company's nonvested shares as of December 31, 2020 are presented below:

	Shares	Weighted-Average Grant Date Fair Value
Nonvested, beginning of year	16,500	$ 2.66
Granted	-	-
Vested	(7,000)	2.75
Forfeited or expired	-	-
Nonvested, end of year	9,500	$ 2.77

As of December 31, 2020, there was approximately $12,000 of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.2 years. The total fair value of shares vested was $19,270 and $25,130 during 2020 and 2019, respectively.

NOTE 18 – SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 31, 2021, the date the financial statements were available to be issued.

THE MINT HOLDINGS, INC.
SCHEDULE I – CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020

	Bank	MINT Holdings	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ 8,819,033	$ 540,425	$ (540,425)	$ 8,819,033
Federal funds sold	44,995,000	-	-	44,995,000
Total cash and cash equivalents	53,814,033	540,425	(540,425)	53,814,033
Investment in subsidiary	-	35,707,015	(35,707,015)	-
Loans receivable, net	303,253,113	-	-	303,253,113
Loans held for sale, at fair value	6,866,054			6,866,054
Accrued interest and accounts receivable	3,074,851	-	-	3,074,851
Premises and equipment, net	391,702	-	-	391,702
Other real estate owned	193,466			193,466
Servicing rights, net	1,807,305	-	-	1,807,305
Deferred tax assets, net	1,962,591	-	-	1,962,591
Nonmarketable equity securities	862,900	-	-	862,900
Prepaid expenses and other assets	232,000	-	-	232,000
TOTAL ASSETS	$372,458,015	$ 36,247,440	$ (36,247,440)	$372,458,015
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Deposits				
Demand deposits	$ 26,377,340	$ -	$ (540,425)	$ 25,836,915
Money market, savings and checking	64,290,742	-	-	64,290,742
Time deposits	162,128,499	-	-	162,128,499
Total deposits	252,796,581	-	(540,425)	252,256,156
Accrued interest payable and other liabilities	4,434,722	352,093	-	4,786,815
Line of credit	-	3,000,000		3,000,000
Paycheck Protection Liquidity Facility	79,519,692	-	-	79,519,692
Subordinated debenture, net	-	6,884,925	-	6,884,925
Total liabilities	336,750,995	10,237,018	(540,425)	346,447,588
Stockholders' equity				
Common stock, $5 par value; 10,000,000 shares authorized, 1,137,958 shares issued and outstanding	5,596,333	5,689,790	(5,596,333)	5,689,790
Capital surplus	16,000,000	8,073,780	(16,000,000)	8,073,780
Retained earnings	14,110,687	12,246,852	(14,110,682)	12,246,857
Total stockholders' equity	35,707,020	26,010,422	(35,707,015)	26,010,427
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$372,458,015	$ 36,247,440	$ (36,247,440)	$372,458,015

THE MINT HOLDINGS, INC.
SCHEDULE II – CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	Bank	MINT Holdings	Eliminations	Consolidated
Interest income				
Interest and fees on loans	$ 14,942,526	$ -	$ -	$ 14,942,526
Federal funds sold	154,497	-	-	154,497
Other investments	37,862	-	-	37,862
Total interest income	15,134,885	-	-	15,134,885
Interest expense				
Deposits	3,544,438	-	-	3,544,438
Subordinated debenture	138,194	590,818	-	729,012
Total interest expense	3,682,632	590,818	-	4,273,450
Net interest income	11,452,253	(590,818)	-	10,861,435
Provision for loan losses	3,186,000	-	-	3,186,000
Net interest income after provision for loan losses	8,266,253	(590,818)	-	7,675,435
Noninterest income				
Net gain on sales of SBA loans	6,740,086	-	-	6,740,086
Net gain on servicing rights	851,012	-	-	851,012
Service charges on deposits	30,807	-	-	30,807
Earnings of subsidiary	-	3,819,932	(3,819,932)	-
Other customer service fees	11,166	-	-	11,166
Total noninterest income	7,633,071	3,819,932	(3,819,932)	7,633,071
Noninterest expense				
Salaries and employee benefits	6,464,650	-	-	6,464,650
Occupancy	626,857	-	-	626,857
Data and check processing	580,539	-	-	580,539
Loan administration and maintenance	2,540,040	-	-	2,540,040
Advertising	139,977	-	-	139,977
Professional and exam fees	358,066	4,314	-	362,380
Office supplies	35,953	-	-	35,953
Insurance and assessment	38,753	-	-	38,753
Travel expense	10,887	-	-	10,887
Other operating expenses	268,242	82	-	268,324
Total noninterest expense	11,063,964	4,396	-	11,068,360
Income before income taxes	4,835,360	3,224,718	(3,819,932)	4,240,146
Income tax expense (benefit)	1,015,425	(124,995)	-	890,430
NET INCOME	$ 3,819,935	$ 3,349,713	$ (3,819,932)	$ 3,349,716