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, R. Michael Russell
Name of the Holding Company Director and Official

CFO and Director
Title of the Holding Company Director and Official

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

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

R. Michael Russell
Signature of Holding Company Director and Official

03/17/2021
Date of Signature

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

Dominion Bancshares, Inc.
Legal Title of Holding Company

17304 Preston Road, Suite 1100
(Mailing Address of the Holding Company) Street / P.O. Box

Dallas	TX	75252
City	State	Zip Code

Same
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

R. Michael Russell	CFO and Director
Name	Title

972-977-9338
Area Code / Phone Number / Extension

None
Area Code / FAX Number

mrussell@dominionbanking.com
E-mail Address

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

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

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 Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

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.

N/A
Legal Title of Subsidiary Holding Company

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

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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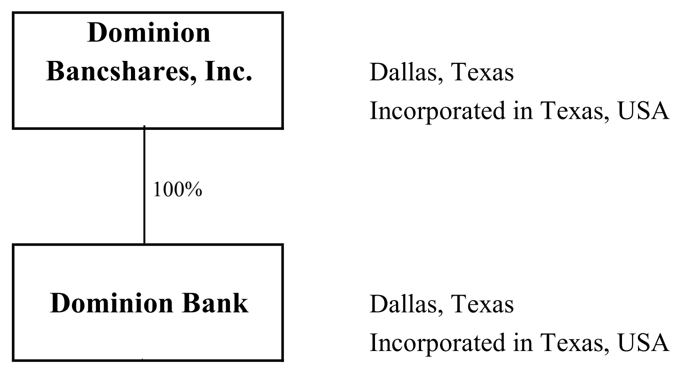
Physical Location (if different from mailing address)

Form FR Y-6

Dominion Bancshares, Inc.
Dallas, Texas
Fiscal Year Ending December 31, 2020

Report Item 1: Annual report to shareholders enclosed.

Report Item 2a: Organizational chart - see below (no LEI for any entity):



Report Item 2b: Branch listing enclosed.

Report Item 3: Securties Holders - see attached.

Report Item 4: Insiders - see attached.

Results: A list of branches for your depository institution: DOMINION BANK (ID_RSSD: 404653).
This depository institution is held by DOMINION BANCSHARES, INC. (5307638) of DALLAS, TX.
The data are as of 12/31/2020. Data reflects information that was received and processed through 01/05/2021.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	404653	DOMINION BANK	17304 PRESTON ROAD, SUITE 150	DALLAS	TX	75252	DALLAS	UNITED STATES	Not Required	Not Required	DOMINION BANK	404653	
OK		Full Service	5450310	NORTH DALLAS BRANCH	17304 PRESTON ROAD SUITE 150	DALLAS	TX	75252	COLLIN	UNITED STATES	Not Required	Not Required	DOMINION BANK	404653	
OK		Full Service	5450516	PRESTON CENTER BRANCH	6071 SHERRY LANE	DALLAS	TX	75225	DALLAS	UNITED STATES	Not Required	Not Required	DOMINION BANK	404653	
OK		Limited Service	3651355	GRAPELAND DRIVE THRU BRANCH	103 WEST OAK STREET	GRAPELAND	TX	75844	HOUSTON	UNITED STATES	Not Required	Not Required	DOMINION BANK	404653	

Form FR Y-6
Dominion Bancshares, Inc.
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 City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**	**(2)(a) Name and Address**	**(2)(b) Country of Citizenship or Incorporation**	**(2)(c) Number and Percentage of Each Class of Voting Securities**
Big Bend 61 Investments, LLC Dallas, TX, USA	USA	500,000 - 9.80% Common Stock	N/A	N/A	N/A
LKCM Investment Partnership, LP Fort Worth, TX, USA	USA	500,000 - 9.80% Common Stock			
Thomas Mastor Dallas, TX, USA	USA	425,000 - 8.25% Common Stock 27,500 - .53% Warrants on Common Stock 22,000 - .43% Options on Common Stock			
B. Gene Carter Dallas, TX, USA	USA	300,000 - 5.88% Common Stock			

Form FR Y-6
Dominion Bancshares, Inc.
Fiscal Year Ending December 31, 2020

Report Item 4: Insiders

(1) Name and Address	(2) Principle Occupation if other than with Bank Holding Co.	(3)(a) Title and Position with Bank Holding Co. (BHC)	(3)(b) Title and Position with BHC Subsidiaries	(3)(c) Title and Position with Other Businesses	(4)(a) Percentage of Voting Shares BHC	(4)(b) Percentage of Voting Shares Subs.	(4)(c) Percentage of Voting Shares Other Co.'s (>25% ownership)
Thomas Mastor Dallas, TX, USA	N/A	CEO and Chairman	CEO and Chairman Dominion Bank	N/A	9.21%	None	N/A
R. Michael Russell Blue Ridge, TX, USA	N/A	CFO and Director	CFO and Director Dominion Bank	N/A	1.39%	None	N/A
Mark Weintrub Plano, Texas, USA	Attorney Anti-Counterfeiting and Authentication Technology	Director	Director Dominion Bank	Attorney MW Law, PC Chief Administrative Officer, General Counsel & Secretary Authentix Inc. Secretary Authentix Acquisition Co., Inc.	0.20%	None	MW Law, PC: 100%
Sam Spicer Dallas, TX, USA	Oil and Gas Exploration	Director	Director Dominion Bank	President Spicer Oil Company President Ken-Tex Energy, LLC President Wapiti Land Ptrs,Inc CEO Kentex Worland, LLC CEO Spicer Capital Partners, LLC	0.54%	None	Spicer Oil Company Inc.: 100% Ken-Tex Energy Corp.: 100% Ken-Tex Energy, LLC: 100% Wapiti Land Ptrs,Inc.: 50% Spicer Operating Co, LLC: 100% Kentex Worland, LLC: 25% Spicer Capital Partners: 66.6%
Stacey Jones Angel Dallas, TX, USA	Oil and Gas Investments	Director	Director Dominion Bank	President & Limited Partner ELSR LP President & Manager BengalJones Group LLC President & Limited Partner Liberator Emerald Holdings LP	1.51%	None	ELSR LP: 58.146%
Michael Yeager Dallas, TX, USA	Portfolio Manager	Director	Director Dominion Bank	Vice President Luther King Capital Mgmt	0.05%	None	N/A
Tony Ramji Dallas, TX, USA	Real Estate Developer	Director	Director Dominion Bank	CEO Victory Group	1.96%	None	Victory Group: 100%

Dominion Bancshares, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2020

Contents

Independent Auditor's Report

Board of Directors
Dominion Bancshares, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Dominion Bancshares, Inc. and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the related statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2020, and the related notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 financial statements referred to above presents fairly, in all material respects, the financial position of Dominion Bancshares, Inc. and its subsidiary as of December 31, 2020, and the results of their operations and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on 2019 Statements of Income, Comprehensive Income, Changes in Stockholders' Equity and Cash Flows

The consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows of the Company for the year ended December 31, 2019, and the related notes to the consolidated financial statements of the Company, were reviewed by us and our report thereon, dated December 3, 2020, stated that, based on our procedures, we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we did not express such an opinion.

RSM US LLP

Dallas, Texas
May 11, 2021

Dominion Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2020 and 2019
(In thousands, except shares and per share values)

	2020	2019
Assets		
Cash and due from banks	$ 499	$ 418
Interest bearing deposits	65,030	28,258
Federal funds sold	689	2,750
Cash and cash equivalents	66,218	31,426
Interest bearing time deposits in other financial institutions	950	-
Securities available for sale	2,991	3,285
Loans, net	259,368	103,444
Premises and equipment, net	3,641	3,108
Goodwill	1,067	1,067
Federal Home Loan Bank (FHLB) of Dallas and other restricted stock	1,833	213
Other assets	3,711	2,654
Total assets	$ 339,779	$ 145,197
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest bearing	$ 66,441	$ 14,929
Interest bearing	144,913	82,758
Total deposits	211,354	97,687
Federal Reserve Bank (FRB) of Dallas:		
Paycheck Protection Program (PPP) liquidity facility	81,573	-
Other liabilities	531	169
Total liabilities	293,458	97,856
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock; $1 par value; 30,000,000 shares authorized; 5,102,224 issued and outstanding at December 31, 2020 and 2019	5,102	5,102
Additional paid-in capital	45,854	45,703
Retained deficit	(4,743)	(3,507)
Accumulated other comprehensive income	108	43
Total stockholders' equity	46,321	47,341
Total liabilities and stockholders' equity	$ 339,779	$ 145,197

See notes to consolidated financial statements.

Dominion Bancshares, Inc. and Subsidiary

Consolidated Statements of Income
Years Ended December 31, 2020 and 2019
See Independent Auditor's and Accountant's Report
(In thousands)

	2020	2019
Interest income:		
Loans, including fees	**$ 6,971**	$ 2,516
Investment securities:		
Taxable	**92**	93
Nontaxable	**-**	25
Federal funds sold	**13**	323
Other	**142**	284
Total interest income	**7,218**	3,241
Interest expense:		
Deposits	**1,298**	570
FRB Dallas PPP liquidity facility	**201**	-
Other borrowings	**3**	25
Total interest expense	**1,502**	595
Net interest income	**5,716**	2,646
Provision for loan losses	**636**	825
Net interest income after provision for loan losses	**5,080**	1,821
Noninterest income:		
Service charges and other fees	**1,774**	225
Unrealized gain on sale of securities available for sale	**5**	29
Other income	**-**	117
Total noninterest income	**1,779**	367
Noninterest expense:		
Salaries and employee benefits	**5,594**	3,944
Occupancy	**1,245**	675
Legal and professional	**544**	667
Other	**1,034**	963
Total noninterest expense	**8,417**	6,245
Loss before taxes	**(1,558)**	(4,056)
Income tax benefit	**(322)**	(875)
Net loss	**$ (1,236)**	$ (3,182)

See notes to consolidated financial statements.

Dominion Bancshares, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019
See Independent Auditor's and Accountant's Report
(In thousands)

	2020	2019
Net loss	**$ (1,236)**	$ (3,182)
Other comprehensive income before tax:		
Net unrealized gain on available for sale securities arising during the year	**82**	54
Other comprehensive income, before tax	**82**	54
Income tax expense	**(17)**	(11)
Other comprehensive income, net of tax	**65**	43
Comprehensive loss	**$ (1,171)**	$ (3,139)

See notes to consolidated financial statements.

Dominion Bancshares, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2020 and 2019
See Independent Auditor's and Accountant's Report
(In thousands)

	Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2018	$ -	$ 2,630	$ (325)	$ -	$ 2,305
Net loss	-	-	(3,182)	-	(3,182)
Common stock issued, net of offering costs of $359	5,102	42,931	-	-	48,033
Stock-based compensation	-	142	-	-	142
Other comprehensive income, net of tax	-	-	-	43	43
Balance at December 31, 2019	5,102	45,703	(3,507)	43	47,341
Net loss	-	-	(1,236)	-	(1,236)
Stock-based compensation	-	151	-	-	151
Other comprehensive income, net of tax	-	-	-	65	65
Balance at December 31, 2020	**$ 5,102**	**$ 45,854**	**$ (4,743)**	**$ 108**	**$ 46,321**

See notes to consolidated financial statements.

Dominion Bancshares, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
See Independent Auditor's and Accountant's Report
(In thousands)

	2020	2019
Cash flows from operating activities:		
Net loss	$ (1,236)	$ (3,182)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	481	122
Provision for loan losses	636	825
Deferred income taxes	(18)	(705)
Stock-based compensation expense	151	142
Net accretion of premium on securities available for sale	(12)	(6)
Unrealized gain on sale of securities, available for sale	(5)	(29)
Loss on disposal of premises and equipment	209	171
Net change in:		
Other assets	(1,039)	(733)
Other liabilities	362	(527)
Net cash used in operating activities	(471)	(3,918)
Cash flows from investing activities:		
Purchases of interest bearing deposits in other financial institutions	(950)	-
Purchase of securities available for sale	(1,027)	(900)
Proceeds from sales of securities available for sale	-	3,905
Net proceeds from calls, maturities and principal repayments of securities available for sale	1,403	368
Net increase in loans	(156,560)	(79,743)
Purchases of premises and equipment	(1,223)	(2,407)
Cash paid in connection with acquisition, net of cash received	-	(2,442)
Net cash used in investing activities	(158,357)	(81,224)
Cash flows from financing activities:		
Net increase in deposits	113,667	67,918
Net proceeds from FRB Dallas:		
Paycheck Protection Program (PPP) liquidity facility	81,573	-
Net purchase of FHLB stock	(1,620)	
Payments on long term borrowings	-	(2,168)
Proceeds from issuance of common stock, net	-	48,032
Net cash provided by financing activities	193,620	113,782
Net increase in cash and cash equivalents	34,792	28,640
Cash and cash equivalents:		
Beginning of year	31,426	2,786
End of year	$ 66,218	$ 31,426

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Basis of presentation: The accompanying consolidated financial statements include the accounts of Dominion Bancshares, Inc. (DBI) and its wholly owned subsidiary, Dominion Bank (Bank), formerly known as Grapeland State Bank. They are collectively referred to as the Company. All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of business: The Bank is a state banking organization headquartered in Dallas, Texas. The Bank provides a full range of banking services to individual and corporate customers primarily in Texas.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the period. Accordingly, actual results could differ from those estimates. Material estimates that are particularly susceptible to change in the near term include the determination of the allowance for loan losses and valuation of securities available for sale.

Presentation of cash flows: For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, cash items in process of clearing, amounts due from banks, interest bearing demand deposits at other financial institutions and federal funds sold. Cash flows from loans and deposits are reported net.

Interest bearing time deposits in other financial institutions: Interest bearing time deposits in other financial institutions are carried at cost.

Securities available for sale: Securities classified as available for sale are those debt securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity and are carried at fair value. Unrealized gains and losses on investments classified as available for sale have been accounted for as a separate component of other comprehensive income. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company’s assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors.

Interest income includes amortization of purchase premiums and discounts. Amortization of premiums and discounts are computed by the interest method. Realized gains and losses on sales of securities are recorded on the trade date and are determined using the specific identification method.

Note 1. Summary of Significant Accounting Policies (Continued)

The Company evaluates its debt securities for other-than-temporary impairment (OTTI) on an ongoing basis for those securities with a fair value below amortized cost. The evaluation takes into consideration current market conditions, issuer rating changes and trends, the credit worthiness of the obligator of the security, current analysts' evaluations, failure of the issuer to make scheduled interest or principal payments, the Company's lack of intent to sell the security or whether it is more likely than not that the Company will be required to sell the debt security before its anticipated recovery, as well as other qualitative factors. The term OTTI is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. The Company evaluates each security individually to determine if decline in value is OTTI. If it is determined that the loss is OTTI, any portion of such a decline in value associated with credit loss is recognized in earnings as an impairment loss with the remaining noncredit-related component being recognized in other comprehensive income. A credit loss is determined by assessing whether the amortized cost basis of the security will be recovered, by comparing the present value of cash flows expected to be collected from the security, computed using original yield as the discount rate, to the amortized cost basis of the security. The shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis is considered to be the credit loss. No OTTI was recognized by the Company during the years ended December 31, 2020 and 2019.

Restricted stock: As a member of the Federal Home Loan Bank of Dallas (FHLB), the Company is required to maintain an investment in capital stock of the FHLB. FHLB and other restricted stock do not have readily determinable fair values as ownership is restricted and lacks a ready market. As a result, these stocks are carried at cost and evaluated periodically by management for impairment. No impairment was recorded during the years ended December 31, 2020 and 2019.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge offs and the allowance for loan losses and deferred loan fees and deferred loan costs. Loan fees collected on loans with terms greater than twelve months are deferred, net of costs and recognized over the life of the loan. Interest income is accrued on the unpaid principal balance.

The accrual of interest is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reason for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Note 1. Summary of Significant Accounting Policies (Continued)

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify such loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Transfers of financial assets: Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange the assets it received, or provides more than a modest benefit to the transferor, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets. In addition, for transfers of a portion of financial assets (for example, participations of loan receivables), the transfer must meet the definition of a participating interest in order to account for the transfer as a sale. Following are the characteristics of a “participating interest”:

- Pro-rata ownership in an entire financial asset.
- From the date of the transfer, all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership.
- The rights of each participating interest holder have the same priority, and no participating interest holder's interest is subordinated to the interest of another participating interest holder. That is, no participating interest holder is entitled to receive cash before any other participating interest holder under its contractual rights as a participating interest holder.
- No party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset.

Acquired loans: Acquired loans from transactions accounted for as a business combination include both performing and nonperforming loans with evidence of credit deterioration since their origination date and performing loans. The Company is accounting for the nonperforming loans acquired in accordance with Accounting Standards Codification (ASC) 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. The performing loans are being accounted for under ASC 310-20, Nonrefundable Fees and Other Costs, with the related difference in the initial fair value and unpaid principal balance (the discount) recognized as interest income on a level yield basis over the life of the loan. At the date of the acquisition, the acquired loans were recorded at their value with no valuation allowance. Over the life of the loan, expected cash flows continue to be estimated. If the expected cash flows decrease, an impairment loss is recorded. If the expected cash flows increase, it is recognized as part of future interest income.

Allowance for loan losses: The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management’s best estimate of probable losses that have been incurred within the existing portfolio of loans.

Note 1. Summary of Significant Accounting Policies (Continued)

The allowance, in the judgment of management, is necessary to reserve for estimated loan losses inherent in the loan portfolio. The allowance for loan losses includes allowance allocations calculated in accordance with ASC Topic 310, Receivables and allowance allocations calculated in accordance with ASC Topic 450, Contingencies. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions, and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including but not limited to the performance of the loan portfolio, the economy, changes in interest rates, and the view of the regulatory authorities toward loan classifications.

The Company's allowance for loan losses consists of two elements: (i) specific valuation allowances established for probable losses on impaired loans and (ii) historical valuation allowances calculated based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted for general economic conditions and other qualitative risk factors both internal and external to the Company.

The Company's credit quality in future years may be impacted by both external and internal factors related to the pandemic in addition to those factors that traditionally affect credit quality. External factors outside the Company's control include items such as federal, state and local government measures, the re-imposition of "shelter-in-place" orders, the economic impact of government programs and the effectiveness of the COVID vaccine. Internal factors that could impact credit quality include such items as the Company's loan deferral programs, involvement in government offer programs and the related financial impact of these programs. The impact of each of these items are unknown at this time and could materially impact future credit quality.

Premises and equipment: Land is carried at cost. Building and improvements, and furniture and equipment are carried at cost, less accumulated depreciation computed principally by the straight-line method based on the estimated useful lives of the related properties ranging from three to ten years. Leasehold improvements are generally depreciated over the lesser of the term of the respective leases or the estimated useful lives of the improvements.

Goodwill and other intangible assets: Goodwill represents the excess of cost over the fair value of the net assets acquired. Goodwill is not amortized but is subject to annual impairment tests in accordance to Financial Accounting Standards Board (FASB) ASC 350, Intangibles—Goodwill and Other. The Company can first elect to assess, through qualitative factors, whether it is more likely than not that goodwill is impaired. If the qualitative assessment indicates potential impairment, the Company will proceed with the two-step process for quantitatively assessing impairment. The first step tests for impairment, while the second step, if necessary, measure the impairment. The resulting amount, if any, is charged to current period earnings. The Company's evaluation determined no impairment was indicated as of December 31, 2020 and 2019.

Core deposit intangibles arising from the 2019 acquisition of Grapeland State Bank, summarized in Note 2, are included in other assets on the consolidated balance sheet. Core deposit intangibles are amortized on a straight-line basis over an estimated useful life of ten years. Core deposit intangibles totaled $241,700 and $290,000, as of December 31, 2020 and 2019, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Income taxes: Income tax expense or benefit is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities (excluding deferred tax assets and liabilities related to components of other comprehensive income). Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and the tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. For the years ended December 31, 2020 and 2019, the Company's valuation allowance was $0. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years.

The FASB has issued guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's federal and state tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The Company files income tax returns in U.S. federal jurisdiction and Texas. For the years ended December 31, 2020 and 2019, management has determined there are no material uncertain tax positions. The Company classifies interest and, if applicable, penalties related to income tax liabilities as a component of income tax expense.

Fair value measurements: ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. See Note 15 for further discussion of fair value measurements.

Stock-based compensation: Stock-based awards including grants of employee stock options and warrants, are valued at fair value on the grant date and expensed over the applicable vesting period.

Comprehensive income: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale debt securities, are reported as a separate component of the equity section of the balance sheet and on the statement of comprehensive income, such items, along with net income (loss), are components of comprehensive income. Gains and losses on available for sale debt securities are reclassified to net income as the gains or losses are realized upon sale of the securities. Other than temporary charges are reclassified to net income at the time of the charge.

Revenue from contracts with customers: On January 1, 2019, the Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 establishes a five-step model which entities must follow to recognize revenue and removes inconsistencies and weaknesses in exciting guidance. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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, investment securities, and mortgage banking activities, as these activities are subject to other accounting guidance. Descriptions of revenue-generating activities that are within the scope of ASC 606, and are presented in the accompanying Consolidated Statements of Income as components of noninterest income, are as follows:

- ***Service charges and other fees:*** 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 is recognized when the performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Other noninterest income: These fees are in the scope of ASC 606, and payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Contingencies: In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's financial statements.

Reclassifications: Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on previously reported net loss or stockholders' equity.

Recent accounting pronouncements: ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02) establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently assessing the potential impact of ASU No. 2016-02 on the financial statements.

ASU No. 2013-13, *Financial Instruments—Credit Losses (Topic 326)* (ASU 2016-13) replaces the current incurred loss model with an expected loss model, referred to as the current expected credit loss model (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other instruments) and net investments in leases recognized by a lessor. For debt securities with other-thank-temporary impairment (OTTI), the guidance will be applied prospectively. For all others within the scope of CECL, a cumulative effective adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. For non-PBEs the standard will be effective for fiscal years beginning after December 31, 2022. The Company is currently assessing the potential impact of ASU 2016-13 on the financial statements and related disclosures.

Note 1. Summary of Significant Accounting Policies (Continued)

ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. The ASU also clarifies the treatment of the income tax effect of tax-deductible goodwill when measuring goodwill impairment loss. ASU 2017-04 will be effective for the Company beginning on January 1, 2022. The adoption of ASU 2017-04 is not expected to have a material impact on the consolidated financial statements.

ASU No. 2019-12, *Income Taxes (Topic 740)*, simplifies the accounting for income taxes by removing certain exceptions and improves the consistent application of GAAP by clarifying and amending other existing guidance. This standard will be effective for the Bank on January 1, 2021 and is not expected to have any material impact on our consolidated financial statements.

ASU No. 2020-04, *Reference Rate Reform—Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848): Amendments*, provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendment apply only to contracts and hedging relationships that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Bank is currently assessing the amended guidance and the impact on its consolidated financial statements and related disclosures.

Subsequent events: In preparing these consolidated financial statements, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through May 11, 2021, the date on which the financial statements were issued.

Note 2. Acquisition

On April 23, 2019, the Company acquired 100% of the outstanding stock of Grapeland State Bank (GSB). Total consideration of $3,156,810 consisted of cash paid to acquire all of the outstanding shares of GSB. GSB's name was subsequently changed to Dominion Bank.

The Company accounted for the GSB acquisition using the acquisition method pursuant to the Business Combinations Topic of the FASB ASC. Under the acquisition method, the acquiring entity in a business combination recognizes assets acquired and liabilities assumed at their acquisition date fair value. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining fair value. Excess of the purchase price over amounts allocated to assets measured, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Acquisition related costs are expenses as incurred.

The Company recognized approximately $1,067,000 of Goodwill which represents the fair value of consideration exchanged that exceeded the recognized amounts of the identifiable net assets. Goodwill resulted from a combination of expected synergies, expansion and growth opportunities. The transaction qualified as a tax-free reorganization for federal income tax purposes.

The Company recorded acquisition expenses of approximately $310,000 during the twelve months ended 2019, related to the GSB acquisition, which are included in noninterest expense in the consolidated statement of income.

Note 2. Acquisition (Continued)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the date of the acquisition:

	Net Assets Acquired at Fair Value (Dollars in Thousands)
Assets:	
Cash and due from banks	$ 715
Loans	24,526
Investments	6,579
Accrued interest receivable	212
Premises and equipment	995
Goodwill	1,067
Prepaids	55
Core deposit intangible	290
Other assets	786
Total assets acquired	35,225
Liabilities:	
Demand and savings deposits	13,692
Time deposits	16,077
Borrowings	2,168
Accrued expenses and other liabilities	131
Total liabilities assumed	32,068
Purchase price	$ 3,157

Non-credit impaired loans had fair value of $24,526,000, at the acquisition date and contractual balances of $25,192,000. As of the acquisition date, the Company expects that an insignificant amount of these loans will be uncollectible. The difference of approximately $666,000 will be recognized into interest income as an adjustment to yield over the life of the loans.

Note 3. Statement of Cash Flows

The Company has chosen to report on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, and loans made to customers and principal collections on those loans. The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information is presented below (in thousands):

		2020		2019
Cash transactions:				
Cash paid for interest	$	1,364	$	595
Noncash transactions:				
Noncash assets acquired:				
Loans	$	-	$	24,526
Investments		-		6,579
Accrued interest receivable		-		212
Premises and equipment		-		995
Goodwill		-		1,067
Prepaids		-		55
Core deposit intangible		-		290
Other assets		-		786
Total assets acquired	$	-	$	34,510
Noncash liabilities assumed:				
Demand and savings deposits	$	-	$	13,692
Time deposits		-		16,077
Borrowings		-		2,168
Accrued expenses and other liabilities		-		131
Total liabilities assumed	$	-	$	32,068
Cash and cash equivalents acquired from acquisitions	$	-	$	715
Cash paid to shareholders of acquired bank	$	-	$	3,157

Note 4. Securities

The amortized cost of securities and their approximate fair values at December 31, 2020 and 2019 are as follows (in thousands):

Securities Available for Sale		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
December 31, 2020:								
Agency residential mortgage-backed securities[1]	$	2,854	$	137	$	-	$	2,991
	$	2,854	$	137	$	-	$	2,991
December 31, 2019:								
Agency residential mortgage-backed securities[1]	$	2,738	$	47	$	(1)	$	2,784
U.S. government agency obligations		493		8		-		501
	$	3,231	$	55	$	(1)	$	3,285

1 Residential mortgage-backed securities issued and/or guaranteed by U.S. government agencies or U.S. government sponsored enterprises.

Note 4. Securities (Continued)

As of December 31, 2020, no individual securities have been in a continuous unrealized loss position. Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2019 is summarized as follows (in thousands):

	Continuous Unrealized Losses Existing for Less than 12 Months		Continuous Unrealized Losses Existing for Greater than 12 Months	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2019:				
Agency residential mortgage-backed securities	$ 108	$ 1	$ -	$ -
	$ -	$ -	$ -	$ -

For all of the above investment security, the unrealized loss is generally due to changes in interest rates and, as such, are considered by the Company to be temporary. As of December 31, 2020 and 2019, there were zero and one individual securities in an unrealized loss position, respectively.

The scheduled contractual maturities of securities at December 31, 2020 are shown below (in thousands). Expected maturities of pass-through securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, the securities are not included in the maturity categories below.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due after one year through 5 years	$ 131	$ 135
Due after five years through 10 years	430	455
Due after ten years	2,293	2,401
	$ 2,854	$ 2,991

There were no pledged investment securities at December 31, 2020 and 2019.

Proceeds from the sales of investment securities available for sale and gross realized gains and losses for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Proceeds from sales	$ -	$ 3,905
Gross realized gains	$ -	$ 25
Gross realized losses	$ (5)	$ -

Note 5. Loans and Allowance for Loan Losses

Loans by portfolio segment and class at December 31, 2020 and 2019 consisted of the following (in thousands):

	2020	2019
Real estate:		
Construction	$ 11,190	$ 8,780
Residential	10,984	9,970
Owner occupied	12,269	4,137
Commercial and farmland	33,914	23,806
Commercial and agricultural	190,795	54,311
Consumer and other loans	1,943	2,217
Leases	1,027	1,637
	262,122	104,858
Discount on acquired loans	(450)	(587)
Net deferred loan origination fees	(837)	-
Allowance for loan losses	(1,467)	(827)
	$ 259,368	$ 103,444

With the passage of the CARES Act Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA), the Company has participated in originating loans to its customers through the program. PPP loans have terms of two to five years and earn interest at 1%. In return for processing and funding the loans, the SBA paid the lenders a processing fee tiered by the size of the loan. At December 31, 2020, there were approximately $98,045,000 in PPP loans outstanding included in the commercial loan portfolio. In addition, the Company has recorded net deferred fees associated with PPP loans of $809,000 as of December 31, 2020. Based on published program guidelines, these loans funded through the PPP are fully guaranteed by the U.S. government. Management believes that the majority of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program with any remaining loan balances, after the forgiveness of any amounts, still fully guaranteed by the SBA.

To determine an appropriate allowance, management separates loans into separate categories based on similar risk characteristics. These categories and their risk characteristics are described below:

- ***Real estate—construction*****:** This category consists of loans secured by real estate under construction or land development, both commercial and residential. Construction and land development loans can carry additional risk of repayment from several different factors influencing the completion of the project on time and on budget. Other risks involved are market driven through real estate values and long-term financing options. As such, the Company takes additional steps to insure that sufficient equity is required, underwriting supports the project, and secondary sources of repayment are identified. This category also consists of loans secured by vacant land, which includes developed commercial land, undeveloped commercial land, rural land, single family residential lots, and lot development loans. These types of loans require larger down payments to help mitigate the risk.

Note 5. Loans and Allowance for Loan Losses (Continued)

- ***Real estate—residential***: This category consists of loans secured by some form of both owner occupied and non-owner occupied residential real estate. The category includes loans for 1-4 family home construction, home improvement, home equity lines of credit, closed-end financing for 1-4 family properties, and financing for multi-family residential properties. The overall credit risk in this segment of the loan portfolio is low given the nature of the collateral and the Company's strict underwriting standards for this type of financing. The Company does not originate sub-prime mortgage loans. The higher risk area of this category is the non-owner occupied portion of these loans, which are often reliant on rental income as the primary source of repayment.

- ***Real estate—owner occupied:*** This category consists of loans secured by commercial buildings that are occupied by companies that are run by the borrower or guarantors on the loan. These loans are lower risk than the non-owner occupied loans because the borrower or guarantor has a personal interest in the success of the tenant company. In addition, more in-depth financial information can be obtained to help management evaluate the business and its profitability.

- ***Real estate—commercial and farmland***: This category consists of loans secured by income producing commercial buildings such as shopping centers, office buildings, office warehouse buildings, hotels, and multi-family properties. These loans carry a higher risk than owner-occupied properties because the repayment is based on the successful operations of the tenants and may be subject to adverse conditions in the real estate market and/or general economy. A substantial majority of these loans have adequate secondary sources of repayment through financially strong guarantors that are well known to the Company.

- ***Commercial—financial and agricultural***: This category consists of all business loans, leases secured by assets other than the business real estate and PPP loans. A substantial majority of these loans are secured by equipment, accounts receivable, inventory and the U.S. government for PPP loans. The primary risk involved with this category is that the loans and leases are typically secured by depreciable assets that may not provide an adequate source of repayment if the loan goes into default. However, the Company's very conservative underwriting standards and credit culture help mitigate risk.

- ***Consumer and other loans***: This category of loans includes all other forms of consumer debt, including automobiles, recreational vehicles, debt consolidation, household or personal use, education, taxes, and investments. A large majority of the loans in this category are relatively short-term loans secured by new and used automobiles, recreational vehicles, and bank certificates of deposit.

- ***Leases***: This category consists of various lease types. A large majority of leases are relatively short-term secured by various asset types including automobiles and equipment.

As part of the management of the loan portfolio, risk ratings are assigned to all loans. Through the loan review process, ratings are modified as believed to be appropriate to reflect changes in the credit. Lending is an important activity for the bank and represents a major asset commitment. The loan review function represents a significant self-monitoring process to ensure, across the organization, the quality of loans meets or exceeds corporate credit standards. The loan review team evaluates various related risks and management techniques involved with loan activities.

Note 5. Loans and Allowance for Loan Losses (Continued)

In order to manage credit risk, credit administration assigns a credit risk rating to each loan at the time of origination and reviews loans on a regular basis to determine each loan's credit risk rating on a scale of 1 through 8, with higher scores indicating higher risk. Creditworthiness of the borrower is the primary determinant in the assignment of risk ratings. In certain cases, however, risks inherent in the transaction itself may influence the final rating. The final rating should be the product of careful evaluation derived from an overall assessment of such factors as creditworthiness, structure and any unusual features.

- ***1-4—pass ratings*****:** Risk ratings from 1-4 are all "Pass" ratings and represent the loans considered acceptable to the bank. The ratings range from 1 being the Highest Quality to 4 being Minimum Acceptable Quality (including a 4—pass/watch rating). All ratings reflect loans with a good primary and secondary source of repayment and/or well collateralized. While the availability varies within the Pass categories, borrowers typically have access to alternative financial markets.

- ***5—special mention*****:** A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the bank's credit position at some future date. Special Mention assets are not adversely classified and do not expose the bank to sufficient risk to warrant adverse classification.

The Special Mention category is not to be used to identify an asset that has as its sole weakness credit data exceptions, collateral documentation exceptions or other account management weaknesses where the exceptions/weaknesses are not material to the repayment of the loan.

- ***6—substandard*****:** The loan is inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged, if any. There are well-defined weaknesses that jeopardize the repayment of the debt.

Although loss may not be imminent, if the weaknesses are not corrected, there is a good possibility that the bank will sustain some loss. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified Substandard.

- ***7—doubtful*****:** The loan has the weaknesses of those in the classification of Substandard, one or more of which make collection or liquidation in full, on the basis of currently ascertainable facts, conditions and values, highly questionable or improbable. The possibility of loss is extremely high, but certain identifiable contingencies that are reasonably likely to materialize may work to the advantage and strengthening of the loan, such that it is reasonable to defer its classification as a loss until its more exact status may be determined. Contingencies that may call for deferral of loss classification include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on addition collateral and refinancing plans.

Loans in this classification are normally carried on interest non-accrual, and interest received is applied to reduce principal. Credits rated Doubtful are reviewed frequently to determine if events that might require a change in rating upward or downward have taken place.

- ***8—loss*****:** Loans in this classification are considered uncollectible and of such little value that their continued classification as bankable assets is not warranted. This classification does not mean the loan has absolutely no recovery or salvage value, but that it is neither practical nor desirable to defer writing off this basically worthless loan even though partial recovery may be affected in the future.

Note 5. Loans and Allowance for Loan Losses (Continued)

The following tables presents the recorded investment in loans receivable (in thousands) by credit quality indicator as of December 31, 2020 and 2019:

	Pass (Rating 1-4)	Special Mention (Rating 5)	Substandard (Rating 6)	Doubtful (Rating 7)	Loss (Rating 8)	Total
2020:						
Real estate:						
Construction	$ 11,190	$ -	$ -	$ -	$ -	$ 11,190
Residential	10,706	278	-	-	-	10,984
Owner occupied	12,269	-	-	-	-	12,269
Commercial and farmland	33,883	-	31	-	-	33,914
Commercial and agricultural	190,776	19	-	-	-	190,795
Consumer and other loans	1,939	-	4	-	-	1,943
Leases	987	-	40	-	-	1,027
	$ 261,750	$ 297	$ 75	$ -	$ -	$ 262,122
2019:						
Real estate:						
Construction	$ 8,780	$ -	$ -	$ -	$ -	$ 8,780
Residential	9,688	282	-	-	-	9,970
Owner occupied	4,137	-	-	-	-	4,137
Commercial and farmland	23,806	-	-	-	-	23,806
Commercial and agricultural	54,245	34	32	-	-	54,311
Consumer and other loans	2,211	6	-	-	-	2,217
Leases	1,591	-	46	-	-	1,637
	$ 10,458	$ 322	$ 78	$ -	$ -	$ 104,858

The Company's activity in the allowance for loan losses for the year ended December 31, 2020 and 2019 by portfolio segment and disaggregated on the basis of the Company's impairment methodology is as follows (in thousands). The allowance for loan losses is calculated using general and historical reserve methodology as there were no impaired loans as of December 31, 2020 and 2019.

	Real Estate							
	Construction	Residential	Owner Occupied	Commercial and Farmland	Commercial and Agricultural	Consumer and Other Loans	Leases	Total
2020:								
Beginning balance	$ 83	$ 71	$ 26	$ 145	$ 471	$ 18	$ 13	$ 827
Charge-offs	-	-	-	-	-	(2)	-	(2)
Recoveries	-	-	-	-	5	1	-	6
Provision	37	18	61	86	437	-	(3)	636
Ending balance	$ 120	$ 89	$ 87	$ 231	$ 913	$ 17	$ 10	$ 1,467
2019:								
Beginning balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Charge-offs	-	-	-	-	-	(2)	-	(2)
Recoveries	-	-	-	-	4	-	-	4
Provision	83	71	26	145	467	20	13	825
Ending balance	$ 83	$ 71	$ 26	$ 145	$ 471	$ 18	$ 13	$ 827

Note 5. Loans and Allowance for Loan Losses (Continued)

The following table presents the past due aging of the recorded investment in loans and loans on nonaccrual status as of December 31, 2020 and 2019 (in thousands):

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Past Due	Total Past Due Loans	Nonaccrual Loans
2020:					
Real estate:					
Construction	$ -	$ -	$ -	$ -	$ -
Residential	99	-	-	99	-
Owner occupied	-	-	-	-	-
Commercial and farmland	-	-	-	-	31
Commercial and agricultural	19	-	-	19	-
Consumer and other loans	69	15	-	84	3
Leases	66	30	40	136	40
	$ 253	$ 45	$ 40	$ 338	$ 74
2019:					
Real estate:					
Construction	$ -	$ -	$ -	$ -	$ -
Residential	27	-	-	27	-
Owner occupied	-	-	-	-	-
Commercial and farmland	-	-	-	-	-
Commercial and agricultural	33	-	-	33	32
Consumer and other loans	-	6	-	6	-
Leases	143	38	47	228	43
	$ 203	$ 44	$ 47	$ 294	$ 75

Note 5. Loans and Allowance for Loan Losses (Continued)

Impaired loans: Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on an individual loan basis for loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charted off when deemed uncollectible. There were no loans accounted for as impaired as of December 31, 2019. For the year ended December 31, 2020, impaired loans are set forth in the following table (in thousands):

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
2020:						
Real estate:						
Construction	$ -	$ -	$ -	$ -	$ -	$ -
Residential	-	-	-	-	-	-
Owner occupied	-	-	-	-	-	-
Commercial and farmland	-	-	-	-	-	-
Commercial and agricultural	-	-	-	-	-	-
Consumer and other loans	-	-	-	-	-	-
Leases	40	40	-	40	-	40
	$ 40	$ 40	$ -	$ 40	$ -	$ 40

A loan is considered a troubled debt restructuring (TDR) if the Company, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Concessions granted under a TDR typically involve a temporary or permanent reduction in the interest rate at less than a current market rate of interest or an extension of a loan's stated maturity date. Loans classified as TDR's are designated as impaired.

Two loans totaling approximately $40,000 were accounted for as troubled debt restructurings as of December 31, 2020. There were no loans accounted for as troubled debt restructurings as of December 31, 2019. There were no TDRs that defaulted during the years ended December 31, 2020 and 2019.

Under ASC Subtopic 310-40 and federal banking agencies interagency guidance, certain short-term loan modifications made on a good faith basis in response to COVID-19 (as defined by the guidance) are not considered TDRs. Additionally, under section 4013 of the CARES Act, banks may elect to suspend the requirement for certain loan modifications to be categorized as a TDR. In response to the COVID-19 pandemic, the Company has implemented prudent modifications allowing for primarily short-term payment deferrals or other payment relief to borrowers with pandemic-related economic hardships, where appropriate, that complies with the above guidance. As such, the Company's TDR loans noted above do not include loans that are modifications to borrowers impacted by COVID-19. Deferred payments along with any interest accrued during the deferral period are due and payable on the maturity date. In 2020, 31 loans were granted concessions due to COVID-19. As of December 31, 2020, 15 loans remained, totaling approximately $15,827,000. All loans granted concessions were current at December 31, 2020.

Note 6. Premises and Equipment

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

	2020	2019
Land	$ 6	$ 76
Building and improvements	773	695
Leasehold improvements	2,041	13
Furniture, fixtures and equipment	1,181	504
Computer software	233	227
Construction in process	-	1,390
Purchases in process	-	319
	4,234	3,224
Less accumulated depreciation	(593)	(116)
	$ 3,641	$ 3,108

Depreciation expense for the year ended December 31, 2020 and 2019 totaled approximately $481,000 and $122,000, respectively.

Note 7. Deposits

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

	2020		2019	
	Amount	Percent	Amount	Percent
2020:				
Noninterest bearing demand accounts	$ 66,441	31.4%	$ 14,929	15.3%
Interest bearing checking accounts	5,530	2.6%	2,301	2.3%
Limited access money market accounts	98,034	46.4%	30,870	31.6%
Savings accounts	3,523	1.7%	2,736	2.8%
Certificates of deposit, $250,000 and greater	13,870	6.6%	12,895	13.2%
Certificates of deposit, less than $250,000	23,956	11.3%	33,956	34.8%
	$ 211,354	100%	$ 97,687	100%

The Bank has a deposit relationship with one customer with a noninterest bearing demand account balance of approximately $25,024,000 as of December 31, 2020, which is considered a major deposit customer. There were no major deposit customers as of December 31, 2019.

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

2021	$ 32,753
2022	2,860
2023	1,946
2024	148
2025	119
	$ 37,826

Note 8. Federal Reserve Bank of Bank of Dallas Paycheck Protection Program Liquidity Facility

On April 15, 2020, the Bank entered into a letter of agreement with the Federal Reserve Bank of Dallas for a Paycheck Protection Program Liquidity Facility (PPPLF), which allows the Bank to initiate and receive advances from the Federal Reserve Bank secured by pledges of the Company's Paycheck Protection Program (PPP) loans. As of December 31, 2020, PPPLF advances totaled approximately $81,573,000. Each advance is equal to the aggregate principal of PPP loans pledged by the Bank to secure the advance, and all advances incur interest at a rate of 0.35%. All payments received by the Bank on pledged PPP loans are utilized to reduce the related PPPLF advance. The maturity date of the advances under the PPPLF are the maturity date of the PPPLF collateral pledged to secure the advance. Current year advances mature in 2022.

Note 9. Income Taxes

For the years ended December 31, 2020 and 2019, income tax benefit consisted of the following (in thousands):

	2020	2019
Current	$ (340)	$ (170)
Deferred	18	(705)
	$ (322)	$ (875)

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows (in thousands). Net deferred tax asset is recorded in other assets on the consolidated balance sheet.

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 31	$ 28
Loan discounts	10	20
Deferred compensation	7	8
Net operating loss	100	116
Other	1	1
Total deferred tax assets	149	173
Deferred tax liabilities:		
Premises and equipment	(23)	(25)
Intangible assets	(5)	(10)
Other	(3)	(2)
Total deferred tax liabilities	(31)	(37)
Net deferred tax asset	$ 118	$ 136

Net operating loss carryforwards totaled approximately $4,655,000 and $3,423,000 as of December 31, 2020 and 2019, respectively, and can be carried forward indefinitely.

Note 10. Commitments and Contingencies

The Company has entered into noncancelable operating leases related to its branch locations and corporate office. At December 31, 2020 and 2019, future minimum annual rental commitments under noncancelable operating leases with initial or remaining terms of more than one year are as follows (in thousands):

2021	$	673
2022		687
2023		694
2024		701
2025		701
Thereafter		2,946
	$	6,402

Total rent expense was approximately $719,000 and $275,000 for the years ended December 31, 2020 and 2019, respectively.

Legal and professional expenses were related to various legal fees such as organizational matters and Company operation agreements, as well as accounting fees, placement fees and other professional fees.

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

The Company’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2020 and 2019, the approximate amounts of these financial instruments were $51,777,000 and $57,510,000, respectively.

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 or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer’s credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management’s credit evaluation of the counterparty.

Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Note 11. Concentrations of Credit

The Company’s loans and commitments have generally been granted to customers in the Company’s market area. Such customers are normally also depositors of the Bank. The concentrations of credit by type of loan are set forth in Note 5. Generally these loans are collateralized and are expected to be repaid from cash flow or proceeds from sale of selected assets of the borrowers. Standby letters of credit are granted primarily to commercial borrowers.

Note 12. Related Party Transactions

In the ordinary course of business, the Company expects to have transactions, including borrowings, with its officers, directors and their affiliates. In the opinion of management, such transactions will be on the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unaffiliated persons. At December 31, 2020 and 2019, there were approximately $3,182,000 and $100,000 of related party loans, respectively. Additionally, at December 31, 2020 and 2019, the Company had unfunded commitments for such loans of approximately $25,000 and $0, respectively.

Note 13. Stock Compensation

Stock options: Under the Company's Employee Stock Option Plan (the Plan), the Company may grant options and warrants to its directors, officers and employees for up to 765,333 shares of common stock, of which 75,183 remain to be granted. Both incentive stock options and nonqualified stock options may be granted under the Plan. The exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Vesting periods range from immediate to five years from the date of grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses the assumptions noted in the following table. The Company uses historical volatility data for expected volatility and estimates the expected term of its stock options based on the historical life of the Company's options. The expected term represents an estimate of the time options are expected to remain 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. The Company's model assumes no annual dividend yield.

	2020	2019
Expected volatility	10%	10%
Risk-free rate of return	1.49%	1.49%
Expected option term (years)	5	5

Note 13. Stock Compensation (Continued)

The summary of stock option activity for 2020 and 2019 follows:

	2020		2019	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	600,150	$ 10.00	-	$ -
Granted	15,000	10.00	600,150	10.00
Terminated	(7,500)	10.00	-	
Outstanding, end of year	607,650	10.00	600,150	10.00
Options exercisable	118,530	$ 10.00	-	$ 10.00
Weighted average remaining contractual life of options:				
Outstanding	8.85		9.83	
Exercisable	8.85		-	

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

	Shares (000)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2020	600	$ 1.26
Granted	15	1.26
Vested	(118)	1.26
Forfeited	(8)	1.26
Nonvested at December 31, 2020	489	$ 1.26

At December 31, 2020 and 2019, there was approximately $599,000 of unrecognized compensation cost related to the nonvested compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 5 years. The total fair value of shares vested during the years ended December 31, 2020 and 2019, was approximately $149,900 and $25,200, respectively.

Note 13. Stock Compensation (Continued)

The following table summarizes the outstanding warrants for the Company's common stock as of December 31, 2020 and 2019:

Shares Underlying Outstanding Warrants		Exercise Price	Expiration Date
$	82,500	$ 10.00	October 2029 or with change in control
$	82,500		

Stock option and warrant compensation expense of approximately $151,000 and $142,000 was recognized for the years ended December 31, 2020 and 2019, respectively.

Note 14. Regulatory Matters

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. Regulatory approval would be required for any dividends or other distributions to be made by the Bank during the time an accumulated deficit exists.

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company'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 the 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.

In July 2013, the FDIC and other regulatory bodies issued final rules consisting of minimum requirements that increase both the quantity and quality of capital held by banking organizations. The final rules are a result of the implementation of the BASEL III capital reforms and various Dodd-Frank Act related capital provisions and impact all insured deposit U.S. banking organizations. Consistent with the Basel international framework, the new rule includes a new minimum ratio of Common Equity Tier 1 (CET1) to risk-weighted assets of 4.5% and a Common Equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The rule also raised the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and includes a minimum Leverage ratio of 4% for all banking organizations. Regarding the quality of capital, the new rule emphasizes Common Equity Tier 1 capital and implements strict eligibility criteria for regulatory capital instruments. The new rule also improves the methodology for calculating risk-weighted assets to enhance risk sensitivity. The new rule is subject to a four-year phase in period for mandatory compliance beginning on January 1, 2015. As of January 1, 2019, the new capital standards have been fully implemented and the Bank remains classified as "well-capitalized."

Quantitative measures established by regulations to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, CETE1, and Tier I capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes as of December 31, 2020 and 2019, that the Bank met all capital adequacy requirements to which it is subject.

At December 31, 2020 and 2019, the Company's capital ratios exceeded those levels necessary to be categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk based, CET1, Tier I risk based, and Tier I leverage ratios as set forth in the following table. At December 31, 2020, the Company met all capital requirements under the regulatory framework specified by the Federal Reserve Board.

Note 14. Regulatory Matters (Continued)

Management is not aware of any conditions subsequent to December 31, 2020 that would change the Company's capital category.

A comparison of the Company's actual capital amounts and ratios to required capital amounts and ratios is presented in the following table (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020:						
Total capital to risk weighted assets	$ 45,180	25.06%	$ 14,423	8.00%	$ 18,029	10.00%
Tier I capital to risk weighted assets	43,712	24.25%	10,818	6.00%	14,423	8.00%
CET1 capital to risk weighted assets	43,712	24.25%	8,113	4.50%	11,719	6.50%
Tier I capital to average assets	43,712	16.88%	10,358	4.00%	12,947	5.00%
December 31, 2019:						
Total capital to risk weighted assets	$ 45,877	36.87%	$ 9,955	8.00%	$ 12,443	10.00%
Tier I capital to risk weighted assets	45,050	36.20%	7,466	6.00%	9,955	8.00%
CET1 capital to risk weighted assets	45,050	36.20%	5,600	4.50%	8,088	6.50%
Tier I capital to average assets	45,050	37.32%	4,829	4.00%	6,036	5.00%

Note 15. Fair Value Measurements

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

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

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

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

Note 15. Fair Value Measurements (Continued)

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

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

During 2020 there were no changes in valuation methodologies and there were no transfers between levels.

The following table summarizes assets and liabilities measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

		Fair Value Measurements at Reporting Date		
	Assets/ Liabilities Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020:				
Measured on a recurring basis:				
Assets:				
Agency residential mortgage-backed securities	$ 2,991	$ -	$ 2,991	$ -
December 31, 2019:				
Measured on a recurring basis:				
Assets:				
Agency residential mortgage-backed securities	$ 2,784	$ -	$ 2,784	$ -
U.S. government agency obligations	$ 501	$ -	$ 501	$ -

Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements 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 and other yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things.