CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**BANKERS' BANK OF THE WEST BANCORP, INC.
AND SUBSIDIARY**

December 31, 2019 and 2018

FORTNER, BAYENS, LEVKULICH
& GARRISON, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bankers' Bank of the West Bancorp, Inc.
Denver, Colorado

We have audited the accompanying consolidated financial statements of Bankers' Bank of the West Bancorp, Inc. and Subsidiary, which are comprised of the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bankers' Bank of the West Bancorp, Inc. and Subsidiary, as of December 31, 2019 and 2018 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.

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Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the 2019 and 2018 consolidated financial statements as a whole. The accompanying consolidating schedules on pages 33 and 34 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated financial statements. The supplemental consolidating schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating schedules have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting records used to prepare the consolidated financial statements and to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fortner, Bayens, Levkulich & Garrison, P.C.

Denver, Colorado
February 21, 2020

Bankers’ Bank of the West Bancorp, Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
	(in thousands)	
ASSETS		
Cash and due from banks	$ 20,446	$ 16,939
Interest-bearing deposits	86,712	45,029
Federal funds sold	840	5,940
Cash and cash equivalents	107,998	67,908
Securities available for sale	28,390	28,869
Securities held to maturity	250	379
Equity securities carried at fair make value	2,881	-
Nonmarketable equity securities	886	877
Loans and leases	250,715	253,796
Less allowance for loan and lease losses	4,619	4,527
	246,096	249,269
Leasehold improvements and equipment, net	1,370	1,879
Accrued interest receivable	1,607	1,507
Company owned life insurance	11,129	11,544
Other real estate owned	-	20
Other assets	2,710	2,757
	$ 403,317	$ 365,009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 138,229	$ 116,707
Interest-bearing	137,625	130,641
Total deposits	275,854	247,348
Federal funds purchased	63,568	59,367
Accrued interest payable	140	124
Other liabilities	13,176	8,642
Total liabilities	352,738	315,481
Commitments and contingencies (notes I, J, and N)		
Stockholders' equity		
Preferred stock - $20 par value, 5% cumulative 250,000 shares authorized, 8,375 and 9,875 shares issued and outstanding in 2019 and 2018, respectively, aggregate liquidation preference $1,000 per share	8,375	9,875
Common stock - $10 par value, 750,000 shares authorized, 209,557 and 211,696 shares issued and outstanding in 2019 and 2018, respectively	2,096	2,117
Capital surplus	13,594	13,800
Retained earnings	26,296	24,171
Accumulated other comprehensive income (loss)	218	(435)
Total stockholders' equity	50,579	49,528
	$ 403,317	$ 365,009

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

Bankers’ Bank of the West Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31, 2019	2018
	(in thousands)	
Interest income		
Interest and fees on loans and leases	$ 13,946	$ 12,784
Interest on taxable investment securities	784	803
Interest on deposits and federal funds sold	1,762	1,520
Total interest income	16,492	15,107
Interest expense		
Deposits and federal funds purchased	4,291	3,041
Total interest expense	4,291	3,041
Net interest income	12,201	12,066
Provision for loan and lease losses	77	1,957
Net interest income after credit for loan and lease losses	12,124	10,109
Noninterest income		
Service charges on deposit accounts	1,090	1,256
Commissions and fees	10,969	10,911
Gain on sale of equity securities	-	3,557
Unreazlied gains recognized on equity securities	33	-
Gain on sale of real estate owned	250	-
Gain on sale of loans	-	64
Total noninterest income	12,342	15,788
Noninterest expenses		
Salaries and employee benefits	6,165	6,281
Occupancy expense of premises	759	744
Furniture and equipment expense	687	631
Service charges	1,837	1,878
Other expenses	9,579	8,774
Total noninterest expenses	19,027	18,308
Income before income taxes	5,439	7,589
Income tax expense	1,293	1,830
NET INCOME	4,146	5,759
Other comprehensive loss		
Net unrealized gains (losses) on securities available for sale	717	(491)
Initial effect upon adoption of ASU 2016-01	144	-
Tax effect	(208)	121
Total other comprehensive income (loss)	653	(370)
TOTAL COMPREHENSIVE INCOME	$ 4,799	$ 5,389

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

Bankers' Bank of the West Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2019 and 2018

	Shares of preferred stock	Preferred stock	Shares of common stock	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
	(in thousands, except share data)							
Balance at December 31, 2017	9,875	$ 9,875	211,819	$ 2,119	$ 13,823	$ 19,627	$ (65)	$ 45,379
Net income	-	-	-	-	-	5,759	-	5,759
Other comprehensive loss	-	-	-	-	-	-	(370)	(370)
Cash dividends paid on preferred stock	-	-	-	-	-	(636)	-	(636)
Cash dividends paid on common stock	-	-	-	-	-	(583)	-	(583)
Redemption of common stock	-	-	(123)	(2)	(23)	4	-	(21)
Balance at December 31, 2018	9,875	9,875	211,696	2,117	13,800	24,171	(435)	49,528
Net income	-	-	-	-	-	4,146	-	4,146
Other comprehensive income	-	-	-	-	-	-	653	653
Cash dividends paid on preferred stock	-	-	-	-	-	(684)	-	(684)
Cash dividends paid on common stock	-	-	-	-	-	(1,006)	-	(1,006)
Initial effect upon adoption of ASU 2016-1	-	-	-	-	-	(144)	-	(144)
Redemption of preferred stock	(1,500)	(1,500)	-	-	-	-	-	(1,500)
Redemption of common stock	-	-	(2,139)	(21)	(206)	(187)	-	(414)
Balance at December 31, 2019	8,375	$ 8,375	209,557	$ 2,096	$ 13,594	$ 26,296	$ 218	$ 50,579

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

Bankers' Bank of the West Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2019	Years ended December 31, 2018
	(dollars in thousands)	
Cash flows from operating activities		
Net income	$ 4,146	$ 5,759
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	77	1,957
Depreciation and amortization on leasehold improvements and equipment	590	508
Net amortization on securities	66	54
Earnings on company owned life insurance	(217)	(240)
Deferred income tax (benefit) expense	(41)	(145)
Unrealized gains recognized on equity securities	(33)	-
Nonmarketable equity securities stock dividends	(8)	(28)
Changes in accruals and deferrals		
Interest receivable	(100)	(201)
Other assets	(120)	528
Interest payable	16	28
Other liabilities	4,534	(3,070)
Net cash provided by operating activities	8,660	5,150
Cash flows from investing activities		
Loan originations and principal collections, net	3,096	(24,510)
Purchase of securities available for sale	(5,040)	(7,116)
Purchase of securities held to maturity	-	-
Maturities and calls on available for sale securities	-	4,000
Purchase of nonmarketable equity securities	(1)	-
Proceeds from principal payments on securities available for sale	3,324	3,930
Proceeds from principal payments on securities held to maturity	127	146
Proceeds from sales of other real estate owned	270	501
Purchase of company owned life insurance	-	-
Expenditures for leasehold improvements and equipment	(81)	(788)
Net cash used in investing activities	2,327	(23,837)
Cash flows from financing activities		
Net change in deposits	28,506	(15,359)
Net change in federal funds purchased	4,201	21,967
Dividends paid on preferred stock	(684)	(636)
Dividends paid on common stock	(1,006)	(583)
Redemption of common stock	(414)	(21)
Redemption of Series B Preferred Stock	(1,500)	-
Net cash provided by (used in) financing activities	29,103	5,368
Net change in cash and cash equivalents	40,090	(13,319)
Cash and cash equivalents at beginning of year	67,908	81,227
Cash and cash equivalents at end of year	$ 107,998	$ 67,908
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest paid	$ 4,275	$ (3,013)
Income taxes paid	2,471	1,787

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

Bankers' Bank of the West Bancorp, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SUMMARY OF ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates. The consolidated financial statements include the accounts of the Bankers' Bank of the West Bancorp, Inc. and its wholly-owned subsidiary Bankers' Bank of the West (the Bank). The entities collectively referred to as "the Company." All significant intercompany transactions and balances have been eliminated.

Nature of Operations

Bankers' Bank of the West Bancorp, Inc. and Subsidiary, with main offices in Denver, Colorado and an office in Lincoln, Nebraska, provide banking services to financial institutions principally in the Rocky Mountain and Great Plains area. Although the Company has a diversified loan portfolio, a substantial portion of its borrowers' abilities to honor their loans are dependent upon the continued economic viability of the Rocky Mountain and Great Plains geographic area. The Company is subject to regulation by certain governmental agencies and undergoes periodic examinations by those regulatory agencies.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. The most significant estimates made by management that are particularly susceptible to significant change in the near term, relate to the determination of the allowance for loan losses, the valuation of foreclosed real estate, valuation of deferred tax assets, and the fair value of financial instruments. Actual results could differ significantly from these estimates.

In connection with the determination of the allowance for loan losses, management assesses estimated future cash flows from borrowers' operations and the liquidation of loan collateral. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, changes in economic conditions may necessitate revisions in future years. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, and federal funds sold.

Investment Securities

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

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on an annual basis, and more frequently when economic or market conditions warrant such an evaluation.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees and origination costs are recognized as incurred based upon management's determination that the deferral of these items over the life of the loan would have an immaterial impact to earnings for any given period.

Past due loans are any loans for which payments of interest, principal or both have not been received within the timeframes designated by the loan agreements. Loans with payments in arrears but for which borrowers have resumed making scheduled payments are considered past due until arrearages are brought current. Loans that experience insignificant payment delays or payment shortfalls generally are not considered past due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The accrual of interest on all loans is discontinued at the time a loan is 90 days delinquent unless the loan is well secured and in process of collection. Additionally, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a loan on nonaccrual status, interest accrued to date is generally reversed and is charged against the current year's interest income. Payments received on a loan on nonaccrual status are applied against the balance of the loan. A loan is returned to accrual status when principal and interest are no longer past due and collectability is no longer doubtful.

Troubled debt restructurings are loans for which concessions in terms have been made as a result of the borrower experiencing financial difficulty. Generally, concessions granted to customers include lower interest rates and modification of the payment stream to lower or defer payments. Interest on troubled debt restructurings is accrued under the new terms if the loans are performing and full collection of principal and interest is expected. However, interest accruals are discontinued on troubled debt restructurings that meet the Company's nonaccrual criteria.

Generally, loans are charged off in whole or in part no later than 120 days after they become past due unless the loan is in the process of restructuring or collection. Charge off amounts are determined based upon the carrying amount of loans and the amount estimated to be collectible as determined by analyses of expected future cash flows and the liquidation of loan collateral.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is a valuation allowance for probable incurred credit losses, and is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance consists of specific and general components as follows:

> The specific component relates to loans that are considered impaired, and is comprised of valuation allowances calculated on a loan-by-loan basis. Impaired loans are all specifically identified loans for which it is probable that the Company will not collect all amounts due according to the contractual terms of the loan agreement. Factors considered by management in determining whether a loan is impaired include payment status, collateral value, the borrower's financial condition and overall loan quality as determined by an internal loan grading system. Included in impaired loans are all nonaccrual loans and all accruing troubled debt restructurings. Loans that experience insignificant payment delays or payment shortfalls generally are not considered impaired. For impaired loans for which repayment is expected solely from the collateral, impairment is measured based on the fair value of the collateral. For other impaired loans, impairment may be measured based on the fair value of the collateral or on the present value of expected future cash flows discounted at the loan's original effective interest rate. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.
>
> The general component relates to non-impaired loans, and is based on historical loss experience adjusted for the effects of qualitative factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio's historical loss experience. Qualitative factors include the following: economic conditions; industry conditions; changes in lending policies and procedures; trends in the volume and terms of loans; the experience, ability and depth of lending staff; levels and trends in delinquencies; levels and trends in charge-off and recovery activity; levels and trends of loan quality as determined by an internal loan grading system; portfolio concentrations.

Although the allowance contains a specific component, the entire allowance is available for any loan that, in management's judgment, should be charged-off. On a quarterly basis, management estimates the allowance balance required using the criteria identified above in relation to the relevant risks for each of the Company's major loan segments. Significant overall risk factors for both the Company’s real estate, commercial and consumer portfolios include the strength of the real estate market and the strength of the economy in the Company’s lending area.

The quality of the Company's loan portfolio is assessed as a function of the levels of past due loans and impaired loans, and internal credit quality ratings which are updated monthly by management. The ratings on the Company’s internal credit scale are broadly grouped into the categories “non-classified” and “classified.” Non-classified loans are those loans with minimal identified credit risk, as well as loans with potential credit weaknesses which deserve management’s attention but for which full collection of contractual principal and interest is not significantly at risk. Classified loans are those loans that have well-defined weakness that put full collection of contractual principal or interest at risk, and classified loans for which it is probable that the Company will not collect all contractual principal or interest are also considered impaired. The credit quality ratings are an important part of the Company's overall credit risk management process and are considered in the determination of the allowance for loan losses.

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

Leasehold Improvements and Equipment

Company leasehold improvements and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation on furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets. Amortization on leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the lease including renewal options.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations are included in “other expenses” on the Consolidated Statements of Comprehensive Income.

Company Owned Life Insurance

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

Accounting guidance requires the recognition of a liability and related compensation expense for split-dollar life insurance policies that provide a benefit to an employee that extends to post-retirement periods. Life insurance policies purchased for the purpose of providing such benefits do not effectively settle an entity's obligation to the employee. Accordingly, the Company must recognize a liability and related compensation expense during the employee's active service period based on the future cost of insurance to be incurred during the employee's retirement.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

The Company is no longer subject to income tax examinations by tax authorities for years before 2016.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Transfers of Financial Assets

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

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as separate components of equity.

Fair Value Measurements

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

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

- *Level 2 Inputs*— Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3 Inputs*—Unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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

Applicable Accounting Standards Updates

The Financial Accounting Standards Board recently issued two Accounting Standards Updates which are not effective for the Company until future periods, but which have the potential to significantly impact the Company's financial statements although the Company has not yet completed evaluations of the impact on its financial statements and its accounting and reporting practices:

- Accounting Standards Update 2016-02 (amended in February, 2018), Leases (Topic 842). Under the new standard, the Company will be required to record a right-of-use asset for leased property and also record a corresponding lease liability. In general, rather than expense lease payments as they are made as currently done under operating lease guidance, the right-of-use asset will be amortized to expense over the lease term and lease payments will reduce the lease obligation. The standard is effective for the Company beginning January 1, 2021.

- Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Under the new standard, the Company will be required to convert from the existing incurred-loss model for determining the allowance for loan losses to an expected-loss model. An expected-loss model will determine the allowance for loan losses balance based upon credit losses expected to be incurred over the life of the loan portfolio, and will consider not only current credit conditions but also reasonably supportable expectations as to future credit conditions. The standard will also require securities held to maturity to be evaluated for impairment under an expected-loss model. The standard is effective for the Company beginning January 1, 2022.

- Accounting Standards Update 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("AOCI").* Under the new standard, the Company will be required to reclassify "stranded tax effects" resulting from the impact of the newly enacted federal corporate income tax rate on items included in AOCI. The amount of this reclassification in 2017 was immaterial to the financial statements.

- Accounting Standards Update 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* Under the new standard, certain equity investments are required to be carried at fair value, with changes in fair value recognized in net income. This applies to equity investments with readily determinable fair values that are not consolidated or carried on the equity method. Debt securities classified as available-for-sale will continue to be carried at fair value with changes in fair value recorded through other comprehensive income. The standard is effective for the Company beginning January 1, 2019, and is not expected to have a significant impact to the financial statements.

Subsequent Events

Management evaluates events occurring subsequent to the balance sheet date, through the date the financial statements are eligible to be issued, to determine whether the events require recognition or disclosure in the financial statements. With respect to the December 31, 2019 consolidated financial statements, Management has considered subsequent events through February 21, 2020.

Reclassifications

Certain reclassifications have been made to 2018 amounts to conform to the current year's presentation.

NOTE B - INVESTMENT SECURITIES

The Company had investment securities as shown below with the following amortized cost and fair values:

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available for sale				
U.S. Government and federal agency	$ 4,995	$ 37	$ -	$ 5,032
Mortgage backed securities	10,019	376	(18)	10,377
Collateralized mortgage obligations	10,932	6	(49)	10,889
SBA loan pools	2,154	-	(62)	2,092
Total	$ 28,100	$ 419	$ (129)	$ 28,390
Securities held to maturity				
Mortgage backed securities	$ 250	$ 7	$ -	$ 257
Total	$ 250	$ 7	$ -	$ 257

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available for sale				
U.S. Government and federal agency	$ 4,994	$ -	$ (151)	$ 4,843
Mortgage backed securities	7,662	10	(202)	7,470
Collateralized mortgage obligations	10,911	3	(16)	10,898
SBA loan pools	2,887	-	(72)	2,815
Mutual fund	2,993	-	(150)	2,843
Total	$ 29,447	$ 13	$ (591)	$ 28,869
Securities held to maturity				
Mortgage backed securities	$ 379	$ 7	$ -	$ 386
Total	$ 379	$ 7	$ -	$ 386

At December 31, 2019 and 2018, debt securities with a carrying value of $100,000, were pledged to secure public deposits and for other purposes required or permitted by law.

The Company had no gross realized gains and losses on the disposition of investment securities in 2019 and 2018.

The carrying value and estimated market value of investment securities at December 31, 2019, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties. The amortized cost and fair value of available for sale and held to maturity debt securities by contractual maturity at December 31, 2019 follows:

	Amortized Cost	Fair Value
	(in thousands)	
Securities available for sale		
Within one year	$ -	$ -
After one year through five years	4,995	5,032
After five years through ten years	-	-
Over ten years	2,154	2,092
	7,149	7,124
Mortgage backed securities	10,019	10,377
Collateralized mortgage obligations	10,932	10,889
	$ 28,100	$ 28,390
Securities held to maturity		
Mortgage backed securities	$ 250	$ 257

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

	December 31, 2019			
	Less than 12 months		Over 12 months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)			
Securities available for sale				
Mortgage backed securities	$ 2,570	$ 14	$ 258	$ 4
Collateralized mortgage obligations	5,761	31	3,284	18
SBA loan pools	-	-	2,095	62
Total	$ 8,331	$ 45	$ 5,637	$ 84

	December 31, 2018			
	Less than 12 months		Over 12 months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)			
Securities available for sale				
U.S. Government and federal agency	$ -	$ -	$ 4,843	$ 151
Mortgage backed securities	4,130	120	2,823	82
Collateralized mortgage obligations	-	-	5,053	16
SBA loan pools	2,815	72	-	-
Mutual fund	-	-	2,843	150
Total	$ 6,945	$ 192	$ 15,562	$ 399

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

At December 31, 2019, equity securities carried at fair market value are comprised of short duration government bond fund. In 2019, the change in fair market value of equity securities is comprised of $33,000 of net unrealized gains on holdings of equity securities and $0 in net realized gains and losses on sales of equity securities. On January 1, 2019, there was a one-time adjustment to increase accumulated other comprehensive income and decrease retained earnings by $144,000 as a result of the adoption of ASU 2016-01.

In 2008, the Company received Visa Class B restricted shares as part of Visa's initial public offering. These shares are transferable only under limited circumstances until they can be converted into the publicly traded Class A common shares. This conversion will not occur until the settlement of certain litigation which will be indemnified by Visa members, including the Company. Visa funded an escrow account from its initial public offering to settle these litigation claims. Should this escrow account be insufficient to cover these litigation claims, Visa is entitled to fund additional amounts to the escrow account by reducing each member bank's Class B conversion ratio to unrestricted Class A shares. As of December 31, 2018, the conversion ratio was 1.6298. Based on the existing transfer restriction and the uncertainty of the outcome of the Visa litigation mentioned above, the remaining 24,000 Class B shares (39,115 Class A equivalents) that the Company owns as of December 31, 2019 and December 31, 2018 are carried at a zero cost basis.

The Company occasionally sells these Visa Class B shares to other financial institutions. Concurrent with every sale the Company enters into an agreement with the buyer that requires payment to the buyer in the event Visa further reduces the conversion ratio. The Company had no gross realized gains and losses on the sale of Class B shares in 2019. The Company had $3,557,000 gross realized gains on the sale of 24,199 Class B shares in 2018.

NOTE C - NONMARKETABLE EQUITY SECURITIES

The components of nonmarketable equity securities at December 31 are as follows:

	2019	2018
	(in thousands)	
Federal Reserve Bank of Kansas City	$ 490	$ 490
Data Center, Inc.	25	25
Federal Home Loan Bank of Topeka	371	362
	$ 886	$ 877

NOTE D - LOANS

Major classifications of loans at December 31 are as follows:

	2019	2018
	(in thousands)	
Commercial	$ 51,365	$ 58,623
Real estate		
Residential	1,668	7,012
Commercial	133,484	118,358
Construction	32,517	37,082
Agriculture	31,455	32,501
Revolving and consumer	226	220
Total loans	$ 250,715	$ 253,796

Transactions in the allowance for loan losses are as follows:

	For the years ended December 31, 2019 and 2018						
	Conventional 1-4 Family	Raw Land Commercial and Residential	Commercial and Commercial Construction	Ag and Farm Land	Commercial and Industrial, Other	Bank Stock	Total
	(in thousands)						
Balance at December 31, 2017	$ 48	$ 223	$ 1,915	$ 624	$ 813	$ 1,057	$ 4,680
Provision for loan losses	-	-	-	-	1,957	-	1,957
Charge-offs	-	-	-	-	(2,231)	-	(2,231)
Recoveries	-	-	116	-	5	-	121
Net (charge-offs) recoveries	-	-	116	-	(2,226)	-	(2,110)
Balance at December 31, 2018	48	223	2,031	624	544	1,057	4,527
Provision for loan losses	-	-	-	-	77	-	77
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	7	-	8	-	15
Net (charge-offs) recoveries	-	-	7	-	8	-	15
Balance at December 31, 2019	$ 48	$ 223	$ 2,038	$ 624	$ 629	$ 1,057	$ 4,619

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

	December 31, 2019						
	Conventional 1-4 Family	Raw Land Commercial and Residential	Commercial and Commercial Construction	Ag and Farm Land	Commercial and Industrial, Other	Bank Stock	Total
				(in thousands)			
Allocation of Allowance To:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	-	-	-	-
Unimpaired loans - evaluated collectively	48	223	2,038	624	629	1,057	4,619
	$ 48	$ 223	$ 2,038	$ 624	$ 629	$ 1,057	$ 4,619
Recorded Investment In:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ 270	$ 88	$ -	$ 358
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	270	88	-	358
Unimpaired loans - evaluated collectively	1,669	6,656	145,050	45,478	31,199	20,305	250,357
	$ 1,669	$ 6,656	$ 145,050	$ 45,748	$ 31,287	$ 20,305	$ 250,715

	December 31, 2018						
	Conventional 1-4 Family	Raw Land Commercial and Residential	Commercial and Commercial Construction	Ag and Farm Land	Commercial and Industrial, Other	Bank Stock	Total
	(in thousands)						
Allocation of Allowance To:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	-	-	-	-
Unimpaired loans - evaluated collectively	48	223	2,031	624	544	1,057	4,527
	$ 48	$ 223	$ 2,031	$ 624	$ 544	$ 1,057	$ 4,527
Recorded Investment In:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ 481	$ 115	$ -	$ 596
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	481	115	-	596
Unimpaired loans - evaluated collectively	7,012	4,959	133,815	48,686	39,250	19,478	253,200
	$ 7,012	$ 4,959	$ 133,815	$ 49,167	$ 39,365	$ 19,478	$ 253,796

Information relative to impaired loans is as follows:

	As of and for the year ended December 31, 2019						
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance On Impaired Loans	Contractual Principal Of Impaired Loans	Commitments To Extend Credit On Impaired Loans	Average Impaired Loans
	(in thousands)						
Conventional 1-4 Family	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Raw Land Commercial and Residential	-	-	-	-	-	-	-
Commercial and Commercial Construction	-	-	-	-	-	-	-
Ag and Farm Land	270	-	270	-	270	-	328
Commercial and Industrial, Other	88	-	88	-	88	-	99
Bank Stock	-	-	-	-	-	-	-
	$ 358	$ -	$ 358	$ -	$ 358	$ -	$ 427

	As of and for the year ended December 31, 2018						
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance On Impaired Loans	Contractual Principal Of Impaired Loans	Commitments To Extend Credit On Impaired Loans	Average Impaired Loans
	(in thousands)						
Conventional 1-4 Family	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Raw Land Commercial and Residential	-	-	-	-	-	-	-
Commercial and Commercial Construction	-	-	-	-	-	-	138
Ag and Farm Land	481	-	481	-	481	-	286
Commercial and Industrial, Other	115	-	115	-	115	-	2,000
Bank Stock	-	-	-	-	-	-	-
	$ 596	$ -	$ 596	$ -	$ 596	$ -	$ 2,424

Interest income recognized on impaired loans for the years ended December 31, 2019 and 2018 was immaterial.

The carrying amount of loans by performance status and credit quality indicator are as follows:

	December 31, 2019							
	Loans By Past Due and Performance Status					Loans By Credit Quality Indicator		
	Accruing Loans						Classified	
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans	Non-classified	Unimpaired	Impaired
	(in thousands)							
Conventional 1-4 Family	$ 1,669	$ -	$ -	$ -	$ 1,669	$ 1,669	$ -	$ -
Raw Land Commercial and Residential	6,656	-	-	-	6,656	6,656	-	-
Commercial and Commercial Construction	144,081	969	-	-	145,050	145,050	-	-
Ag and Farm Land	45,478	-	-	270	45,748	45,478	-	270
Commercial and Industrial, Other	31,199	-	-	88	31,287	31,199	-	88
Bank Stock	20,305	-	-	-	20,305	20,305	-	-
	$ 249,388	$ 969	$ -	$ 358	$ 250,715	$ 250,357	$ -	$ 358

	December 31, 2018							
	Loans By Past Due and Performance Status					Loans By Credit Quality Indicator		
	Accruing Loans						Classified	
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans	Non-classified	Unimpaired	Impaired
	(in thousands)							
Conventional 1-4 Family	$ 7,012	$ -	$ -	$ -	$ 7,012	$ 7,012	$ -	$ -
Raw Land Commercial and Residential	4,959	-	-	-	4,959	4,959	-	-
Commercial and Commercial Construction	133,815	-	-	-	133,815	133,815	-	-
Ag and Farm Land	48,686	-	-	481	49,167	48,686	-	481
Commercial and Industrial, Other	39,250	-	-	115	39,365	39,250	-	115
Bank Stock	19,478	-	-	-	19,478	19,478	-	-
	$ 253,200	$ -	$ -	$ 596	$ 253,796	$ 253,200	$ -	$ 596

The Company had no troubled debt restructurings (TDRs) for the years ended December 31, 2019 and 2018.

NOTE E - LEASEHOLD IMPROVEMENTS AND EQUIPMENT

At December 31, leasehold improvements and equipment, less accumulated depreciation and amortization, consisted of the following:

	2019	2018
	(in thousands)	
Leasehold improvements	$ 102	$ 102
Furniture and equipment	1,152	1,071
Software	2,124	2,124
	3,378	3,297
Accumulated depreciation and amortization	(2,008)	(1,418)
Total leasehold improvements and equipment	$ 1,370	$ 1,879

NOTE F – DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more December 31, 2019 and 2018 was $18,250,000 and $15,750,000, respectively. At December 31, 2019 and 2018, brokered time deposits totaled $40,103,000 and $49,015,000, respectively. Scheduled maturities of time deposits at December 31, 2019 are as follows:

	(in thousands)
2020	$ 80,901
2021	26,654
2022	12,621
2023	5,529
2024	7,720
Thereafter	-
	$ 133,425

NOTE G - INCOME TAXES

Following is an analysis of income taxes included in the consolidated statements of comprehensive income:

	Years ended December 31, 2019	2018
	(in thousands)	
Current tax provision		
Federal	$ 1,088	$ 1,604
State	252	371
	1,340	1,975
Deferred tax provision (benefit)		
Federal	(32)	(118)
State	(9)	(27)
	(41)	(145)
	$ 1,299	$ 1,830

A deferred tax asset or liability is recognized for the tax consequences of temporary differences in the recognition of revenue and expense for financial reporting and tax purposes. Listed below are the components of the net deferred tax asset at December 31:

	2019	2018
	(in thousands)	
Deferred tax assets		
Salary continuation plan	$ 643	$ 657
Split-dollar life insurance benefit	188	221
Net unrealized gain on available for sale securities	-	142
Net operating loss	204	235
Other	133	75
	1,168	1,330
Deferred tax liabilities		
Depreciation and amortization	(131)	(188)
Allowance for loan and lease losses	(9)	(28)
Net unrealized gain on available for sale securities	(72)	-
Other	(14)	(4)
	(226)	(220)
Net deferred tax asset	$ 942	$ 1,110

The Company periodically reviews the need for a valuation allowance against deferred tax assets and recognized these deferred tax assets to the extent that realization is more likely than not. Based on a review of future taxable income, the Company has not recorded a valuation allowance.

The reasons for the differences between the statutory federal income tax rate and effective tax rates for the years ended December 31, 2019 and 2018 are primarily due to state income taxes.

On December 22, 2017, The Tax Cut and Jobs Act was signed into law by the President. This bill, among other provisions, reduced the corporate tax rate to 21% from a previous rate of 34% for the Company, effective January 1, 2018. As required, the Company's net deferred tax asset was revalued at the 21% rate, resulting in a charge to income of approximately $102,000 in 2017.

NOTE H – AVAILABLE BORROWINGS

The Company has federal funds lines with its correspondent banks and access to the Federal Reserve's Discount Window with an aggregate credit limit of $109,910,000 at December 31, 2019. The Company had no outstanding borrowings under these lines at December 31, 2019 and 2018. The federal funds lines are discretionary and funding requests made by the Company are subject to the lending institutions' approval and funding availability at the time of request.

NOTE I - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and stand-by letters of credit.

Those instruments involve, to a varying degree, elements of credit risk in excess of the amount recognized in the statement of financial position. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and stand-by letters of credit is represented by the contractual notional 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.

Financial instruments whose contract amounts represent credit risk are as follows as of December 31:

	2019	2018
	(in thousands)	
Commitments to extend credit	$ 144,475	$124,350

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company 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. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

NOTE J - LEASE AND PROCESSING COMMITMENTS

The Company leases certain facilities under operating lease agreements. The terms of these leases include various renewal options. Future minimum rent commitments under these leases are as follows:

	Leases for premises	Agreements for processing
	(in thousands)	
2020	$ 508	$ 72
2021	762	66
2022	745	-
2023	760	-
2024	778	-
Thereafter	261	-
	$ 3,814	$ 138

Total expense for these leases was $721,000 and $708,000 in 2019 and 2018, respectively.

NOTE K - EMPLOYEE BENEFIT PLANS

The Company provides a 401(k) plan which covers substantially all of its employees who are eligible to age and length of service. The Company may make matching contributions of 100% of the first 3% of a participant's compensation plus 50% of the next 2% of compensation. The Company also provides a noncontributory profit sharing plan. The amount of the contribution to the noncontributory plan may equal up to 5% of compensation and the amount of the contribution is determined annually at the discretion of the Board of Directors. Vesting occurs over various periods with full vesting after six years. The Company's expense related to these plans was $346,000 and $344,000 in 2019 and 2018, respectively.

The Company also has deferred compensation agreements with key employees. Vesting is based upon age and years of service. Life insurance contracts have been purchased which may be used to fund these agreements. The charges to expense were $136,000 in 2019 and $272,000 in 2018. The Company's liability for the obligation under this plan totals $2,610,000 and $2,664,000 at December 31, 2019 and 2018, respectively and is included as a component of other liabilities.

NOTE L - RELATED PARTIES

At December 31, 2019 the Company had $1,950,000 in loans receivable from directors, officers and principal owners of the Company and their related business interests. At December 31, 2018 the Company had $2,400,000 in loans receivable from directors, officers and principal owners of the Company and their related business interests.

NOTE M – DIVIDEND RESTRICTIONS

Various restrictions limit the extent to which dividends may be paid by the Company's subsidiary bank. Under Colorado law, regulatory approval is required for the Bank to pay dividends in any calendar year which exceed the subsidiary bank's net profit for that year combined with its retained profits for the preceding two years.

NOTE N – LEGAL CONTINGENCIES

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

NOTE O – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities: The fair values of trading account securities and securities available for sale are determined by quoted prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to yield curves that are updated to incorporate loss severities, volatility, credit spread and optionality. During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations.

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of inputs for determining fair value.

Other Real Estate Owned: Nonrecurring adjustments to certain commercial and residential real estate properties classified as foreclosed real estate are measured at the lower of carrying amount or fair value, less cost to sell. Fair values are generally based on third party appraisals of the property, resulting in Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets measured at fair value on a recurring basis				
Securities available for sale				
U.S. Government and federal agency	$ -	$ 5,032	$ -	$ 5,032
Mortgage backed securities	-	10,377	-	10,377
Collateralized mortgage obligations	-	10,889	-	10,889
SBA loan pools	-	2,092	-	2,092
Total securities available for sale	$ -	$ 28,390	$ -	$ 28,390
Equity Securities carried at Fair Market Value	$ 2,881	$ -	$ -	$ 2,881

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets measured at fair value on a recurring basis				
Securities available for sale				
U.S. Government and federal agency	$ -	$ 4,843	$ -	$ 4,843
Mortgage backed securities	-	7,470	-	7,470
Collateralized mortgage obligations	-	10,898	-	10,898
Mutual fund	-	2,843	-	2,843
Total securities available for sale	$ -	$ 26,054	$ -	$ 26,054
Assets measured at fair value on a non-recurring basis				
Other real estate owned	$ -	$ -	$ 20	$ 20

At December 31, 2019 and 2018 there were no impaired loans with a valuation allowance.

Other real estate owned which is measured at the lower of carrying or fair value less costs to sell, had a carrying amount of $0 and $20,000 at December 31, 2019 and 2018, respectively.

NOTE P – MINIMUM REGULATORY CAPITAL REQUIREMENTS

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines, and additionally for banks prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Basel III Capital Rules became effective for the Bank on January 1, 2015 subject to a phase-in for certain provisions. Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of common equity tier 1 capital, tier 1 capital and total capital (as defined in the regulations) to risk-weighted assets (as defined), and of tier 1 capital to quarterly average assets (as defined).

At December 31, 2019, the Bank's regulatory capital is comprised of the following: 1) Common equity tier 1 capital – consisting of common stock and related paid-in-capital, and retained earnings; 2) Additional tier 1 capital – there are no components of tier 1 capital beyond common equity tier 1 capital; 3) Tier 2 capital – consisting of a permissible portion of the allowance for loan losses; and 4) Total capital – the aggregate of all tier 1 and tier 2 capital. In connection with the adoption of the Basel III Capital Rules, the Bank elected to opt-out of the requirement to include most components of accumulated other comprehensive income in common equity tier 1 capital.

The Basel III capital rules were fully phased in on January 1, 2019, and require the Bank to maintain a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5%

"capital conservation buffer" (which is added to the 4.5% common equity tier 1 capital ratio as the buffer is phased in, effectively resulting in a minimum ratio of common equity tier 1 capital to risk-weighted assets of 7% upon full phase in). The Bank will also be required to maintain a tier 1 capital to risk-weighted assets ratio of 6.0% (8.5% including the capital conservation buffer), a total capital to risk-weighted assets ratio of 8.0% (10.5% including the capital conservation buffer), and a tier 1 capital to quarterly average assets ratio of 4.0%.

The aforementioned capital conservation buffer phased in at 0.625% annually over a four year period beginning January 1, 2016, and is designed to absorb losses during periods of economic stress. Banking institutions with capital ratios above the base minimums but below the effective minimums (which include the buffer) will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

The following table presents actual and required capital ratios as of December 31, 2019 and 2018 for the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of December 31, 2019 and 2018 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in, and include the capital conservation buffer. Capital levels required to be considered well capitalized are based on prompt corrective action regulations, as amended to reflect changes under the Basel III Capital Rules.

	Actual		Minimum Required for Capital Adequacy Purposes - Basel III Phase-in Schedule		Minimum Required for Capital Adequacy Purposes - Basel III Fully Phased-in		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
				(Dollars in thousands)				
As of December 31, 2019								
Total capital to risk weighted assets	$53,068	17.9%	$31,106	10.5%	$31,106	10.5%	$29,625	10.0%
Tier 1 capital to risk weighted assets	49,354	16.7%	25,181	8.5%	25,181	8.5%	23,700	8.0%
Common equity tier 1 capital to risk weighted assets	49,354	16.7%	20,737	7.0%	20,737	7.0%	19,256	6.5%
Tier 1 capital to average assets	49,354	13.1%	15,086	4%	15,086	4.0%	18,858	5.0%

	Actual		Minimum Required for Capital Adequacy Purposes - Basel III Phase-in Schedule		Minimum Required for Capital Adequacy Purposes - Basel III Fully Phased-in		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)							
As of December 31, 2018								
Total capital to risk weighted assets	$ 52,229	17.9%	$ 28,885	9.875%	$ 30,713	10.5%	$ 29,251	10.0%
Tier 1 capital to risk weighted assets	48,562	16.6%	23,035	7.875%	24,863	8.5%	23,400	8.0%
Common equity tier 1 capital to risk weighted assets	48,562	16.6%	18,647	6.375%	20,475	7.0%	19,013	6.5%
Tier 1 capital to average assets	48,562	13.7%	14,216	4.00%	14,216	4.0%	17,770	5.0%

Regulatory authorities can initiate certain mandatory actions if the Bank fails to meet the minimum capital requirements, which could have a direct and material effect on the Bank's financial statements. Management believes, as of December 31, 2019, that the Bank meets all capital adequacy requirements to which it is subject and that the Bank exceeds the minimum levels necessary to be considered "well capitalized".

NOTE Q – PREFERRED STOCK

The Preferred Stock qualifies as Tier 1 capital and paid cumulative dividends at a rate of 9% beginning in 2014, and Prime plus 2% per annum, adjusted annually, with a floor of 6% beginning in August 2016. As of December 31, 2019, all remaining preferred stock is redeemable at the Company's option.

NOTE R – SUBSEQUENT EVENTS

On January 17, 2020, the Company declared a dividend of $4.75 per share to common shareholders of record as of January 17, 2020 and the quarterly dividend on Preferred Stock. The dividends of $995,396 and $151,797, respectively, were paid on January 30, 2020 and February 20, 2020, respectively.

Bankers’ Bank of the West Bancorp, Inc. and Subsidiary

CONSOLIDATING SCHEDULE – BALANCE SHEET INFORMATION

December 31,

	Bankers' Bank of the West Bancorp, Inc.		Bankers' Bank of the West		Reclassifications and Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	(dollars in thousands)							
ASSETS								
Cash and due from banks	$ 143	$ 179	$ 20,446	$ 16,939	$ (143)	$ (179)	$ 20,446	$ 16,939
Interest-bearing deposits	-	-	86,712	45,029	-	-	86,712	45,029
Federal funds sold	-	-	840	5,940	-	-	840	5,940
Cash and cash equivalents	143	179	107,998	67,908	(143)	(179)	107,998	67,908
Investment securities								
Available for sale	-	-	28,390	28,869	-	-	28,390	28,869
Held to maturity	-	-	250	379	-	-	250	379
Equity securities carried at fair make value	-	-	2,881	-	-	-	2,881	-
Nonmarketable equity securities	-	-	886	877	-	-	886	877
Loans and leases	-	-	250,715	253,796	-	-	250,715	253,796
Allowance for loan and lease losses	-	-	4,619	4,527	-	-	4,619	4,527
Net loans	-	-	246,096	249,269	-	-	246,096	249,269
Leasehold improvements and equipment, net	-	-	1,370	1,879	-	-	1,370	1,879
Accrued interest receivable	-	-	1,607	1,507	-	-	1,607	1,507
Cash surrender value of life insurance	-	-	11,129	11,544	-	-	11,129	11,544
Real estate owned	-	-	-	20	-	-	-	20
Other assets	204	204	2,506	2,553	-	-	2,710	2,757
Investment in Bankers' Bank of the West	50,232	49,145	-	-	(50,232)	(49,145)	-	-
TOTAL ASSETS	$ 50,579	$ 49,528	$ 403,113	$ 364,805	$ (50,375)	$ (49,324)	$ 403,317	$ 365,009
LIABILITIES								
Deposits								
Noninterest-bearing	$ -	$ -	138,372	$ 116,886	$ (143)	$ (179)	$ 138,229	$ 116,707
Interest-bearing	-	-	137,625	130,641	-	-	137,625	130,641
Total deposits	-	-	275,997	247,527	(143)	(179)	275,854	247,348
Federal funds purchased	-	-	63,568	59,367	-	-	63,568	59,367
Accrued interest payable	-	-	140	124	-	-	140	124
Other liabilities	-	-	13,176	8,642	-	-	13,176	8,642
Total Liabilities	-	-	352,881	315,660	(143)	(179)	352,738	315,481
STOCKHOLDERS' EQUITY								
Preferred stock	8,375	9,875	-	-	-	-	8,375	9,875
Common stock	2,096	2,117	1,234	1,234	(1,234)	(1,234)	2,096	2,117
Capital surplus	13,594	13,800	15,091	15,091	(15,091)	(15,091)	13,594	13,800
Retained earnings	26,296	24,171	33,689	33,255	(33,689)	(33,255)	26,296	24,171
Accumulated other comprehensive income (loss)	218	(435)	218	(435)	(218)	435	218	(435)
Total stockholders' equity	50,579	49,528	50,232	49,145	(50,232)	(49,145)	50,579	49,528
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 50,579	$ 49,528	$ 403,113	$ 364,805	$ (50,375)	$ (49,324)	$ 403,317	$ 365,009

Bankers' Bank of the West Bancorp, Inc. and Subsidiary

CONSOLIDATING SCHEDULE – STATEMENT OF INCOME INFORMATION

Years ended December 31,

(dollars in thousands)

	Bankers' Bank of the West Bancorp, Inc.		Bankers' Bank of the West		Reclassifications and Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
INTEREST INCOME								
Interest and fees on loans and leases	$ -	$ -	$ 13,946	$ 12,784	$ -	$ -	$ 13,946	$ 12,784
Interest on taxable investment securities	-	-	784	803	-	-	784	803
Interest on deposits and federal funds sold	-	-	1,762	1,520	-	-	1,762	1,520
Total interest income	-	-	16,492	15,107	-	-	16,492	15,107
INTEREST EXPENSE								
Deposits and federal funds purchased	-	-	4,291	3,041	-	-	4,291	3,041
Total interest expense	-	-	4,291	3,041	-	-	4,291	3,041
Net interest income before provision for loan and lease losses	-	-	12,201	12,066	-	-	12,201	12,066
Provision for loan and lease losses	-	-	77	1,957	-	-	77	1,957
Net interest income after provision for loan and lease losses	-	-	12,124	10,109	-	-	12,124	10,109
Equity in earnings of subsidiaries	4,184	5,759	-	-	(4,184)	(5,759)	-	-
NONINTEREST INCOME								
Service charges on deposit accounts	-	-	1,090	1,256	-	-	1,090	1,256
Commissions and fees	-	-	10,969	10,911	-	-	10,969	10,911
Gain on sale of equity securities	-	-	-	3,557	-	-	-	3,557
Unreazlied gains recognized on equity securities	-	-	33	-	-	-	33	-
Gain on sale of real estate owned	-	-	250	-	-	-	250	-
Gain on sale of loans	-	-	-	64	-	-	-	64
Total noninterest income	-	-	12,342	15,788	-	-	12,342	15,788
NONINTEREST EXPENSE								
Salaries and employee benefits	-	-	6,165	6,281	-	-	6,165	6,281
Occupancy expense of premises	-	-	759	744	-	-	759	744
Furniture and equipment expense	-	-	687	631	-	-	687	631
Service charges	-	-	1,837	1,878	-	-	1,837	1,878
Other expenses	38	-	9,541	8,774	-	-	9,579	8,774
Total noninterest expenses	38	-	18,989	18,308	-	-	19,027	18,308
Income before income taxes	4,146	5,759	5,477	7,589	(4,184)	(5,759)	5,439	7,589
Income tax expense	-	-	1,293	1,830	-	-	1,293	1,830
NET INCOME	$ 4,146	$ 5,759	$ 4,184	$ 5,759	$ (4,184)	$ (5,759)	$ 4,146	$ 5,759