CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

BANKERS' BANK OF THE WEST BANCORP, INC. AND SUBSIDIARIES

December 31, 2021 and 2020

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bankers' Bank of the West Bancorp, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bankers' Bank of the West Bancorp, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bankers' Bank of the West Bancorp, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 2021 and 2020 consolidated financial statements as a whole. The accompanying consolidating schedules on pages 34 through 37 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 11, 2022

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

CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 8,396	$ 8,366
Interest-bearing deposits	105,388	205,979
Federal funds sold	3,310	500
Cash and cash equivalents	117,094	214,845
Securities available for sale	29,444	15,835
Securities held to maturity	96	194
Nonmarketable equity securities	1,743	1,649
Loans and leases	254,126	253,188
Less allowance for loan and lease losses	(5,128)	(5,143)
	248,998	248,045
Premises, equipment and software, net	852	1,120
Accrued interest receivable	979	1,468
Company owned life insurance	13,020	11,332
Other assets	4,303	3,538
	$ 416,529	$ 498,026
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 217,377	$ 248,965
Interest-bearing	41,384	100,417
Total deposits	258,761	349,382
Federal funds purchased	90,808	82,844
Note payable	495	-
Accrued interest payable	24	75
Other liabilities	12,120	11,670
Total liabilities	362,208	443,971
Commitments and contingencies (notes I and J)		
Stockholders' equity		
Preferred stock - $20 par value, 250,000 shares authorized, 7,375 and 8,375 shares issued and outstanding in 2021 and 2020, respectively. Liquidation preference $1,000 per share	7,375	8,375
Common stock - $10 par value, 750,000 shares authorized, 206,302 and 209,227 shares issued and outstanding in 2021 and 2020, respectively	2,063	2,093
Capital surplus	13,302	13,563
Retained earnings	31,674	29,872
Accumulated other comprehensive income (loss)	(93)	152
Total stockholders' equity	54,321	54,055
	$ 416,529	$ 498,026

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31, 2021	2020
	(dollars in thousands)	
Interest income		
Interest and fees on loans and leases	$ 12,136	$ 12,881
Interest on taxable investment securities	426	455
Interest on deposits and federal funds sold	278	516
Total interest income	12,840	13,852
Interest expense		
Deposits	1,170	2,644
Federal funds purchased	33	218
Note payable	3	-
Total interest expense	1,206	2,862
Net interest income	11,634	10,990
Provision for loan and lease losses	-	500
Net interest income after provision for loan and lease losses	11,634	10,490
Noninterest income		
Service charges on deposit accounts	2,100	1,902
Merchant processing program	8,415	7,792
Correspondent services	2,662	2,492
Gain on sale of investment securities	-	2,807
Change in fair value of marketable equity securities	-	9
Gain on sale of foreclosed real estate	142	1,062
Other income	583	507
Total noninterest income	13,902	16,571
Noninterest expenses		
Salaries and employee benefits	7,539	7,675
Occupancy and equipment	1,118	1,083
Data processing and software	1,042	992
Merchant processing program	7,534	6,946
Service charges	2,002	2,055
Other expenses	1,621	1,489
Total noninterest expenses	20,856	20,240
Income before income taxes	4,680	6,821
Income tax expense	1,046	1,669
NET INCOME	3,634	5,152
Other comprehensive income (loss)		
Net unrealized gains (losses) on securities available for sale	(325)	393
Reclassification effect for gains on sale realized in net income	-	(481)
Tax effect	80	22
Total other comprehensive income (loss)	(245)	(66)
TOTAL COMPREHENSIVE INCOME	$ 3,389	$ 5,086

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2021 and 2020

	Shares of preferred stock	Preferred stock	Shares of common stock	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
	(dollars in thousands)							
Balance at December 31, 2019	8,375	$ 8,375	209,557	$ 2,096	$ 13,594	$ 26,296	$ 218	$ 50,579
Net income	-	-	-	-	-	5,152	-	5,152
Other comprehensive loss	-	-	-	-	-	-	(66)	(66)
Cash dividends paid on preferred stock	-	-	-	-	-	(581)	-	(581)
Cash dividends paid on common stock	-	-	-	-	-	(995)	-	(995)
Redemption of common stock	-	-	(330)	(3)	(31)	-	-	(34)
Balance at December 31, 2020	8,375	8,375	209,227	2,093	13,563	29,872	152	54,055
Net income	-	-	-	-	-	3,634	-	3,634
Other comprehensive loss	-	-	-	-	-	-	(245)	(245)
Cash dividends paid on preferred stock	-	-	-	-	-	(488)	-	(488)
Cash dividends paid on common stock	-	-	-	-	-	(994)	-	(994)
Redemption of preferred stock	(1,000)	(1,000)	-	-	-	-	-	(1,000)
Redemption of common stock	-	-	(2,925)	(30)	(261)	(350)	-	(641)
Balance at December 31, 2021	7,375	$ 7,375	206,302	$ 2,063	$ 13,302	$ 31,674	$ (93)	$ 54,321

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2021	2020
	(dollars in thousands)	
Cash flows from operating activities		
Net income	$ 3,634	$ 5,152
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	-	500
Depreciation and amortization on premises, equipment and software	561	579
Net amortization on investment securities	108	7
Net gain on sale of investment securities	-	(2,807)
Change in fair value of marketable equity securities	-	(9)
Stock dividends on nonmarketable equity securities	(1)	(3)
Net gain on sale of foreclosed real estate	(142)	(1,062)
Earnings on company owned life insurance	(188)	(203)
Deferred income tax expense (benefit)	(217)	(135)
Changes in accruals and deferrals		
Interest receivable	489	139
Other assets	(468)	(671)
Interest payable	(51)	(65)
Other liabilities	450	(1,506)
Net cash provided by (used by) operating activities	4,175	(84)
Cash flows from investing activities		
Loan originations and principal collections, net	(953)	(2,449)
Purchase of securities available for sale	(18,766)	-
Proceeds from sale of securities available for sale	-	8,981
Proceeds from principal payments on securities available for sale	4,725	3,961
Proceeds from principal payments on securities held to maturity	97	55
Proceeds from sale of marketeable equity securities	-	5,216
Purchase of nonmarketable equity securities	(93)	(760)
Proceeds from sales of foreclosed real estate	142	1,062
Purchase of company owned life insurance	(1,500)	-
Expenditures for premises, equipment and software	(293)	(329)
Net cash provided by (used by) investing activities	(16,641)	15,737
Cash flows from financing activities		
Net change in deposits	(90,621)	73,528
Net change in federal funds purchased	7,964	19,276
Advances on note payable	495	-
Dividends paid on preferred stock	(488)	(581)
Dividends paid on common stock	(994)	(995)
Redemption of common stock	(641)	(34)
Redemption of preferred stock	(1,000)	-
Net cash provided by (used by) financing activities	(85,285)	91,194
Net change in cash and cash equivalents	(97,751)	106,847
Cash and cash equivalents at beginning of year	214,845	107,998
Cash and cash equivalents at end of year	$ 117,094	$ 214,845
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest paid	$ 1,257	$ 2,927
Income taxes paid	1,683	1,370

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

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accounting and reporting policies of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following is a summary of the significant accounting and reporting policies:

Organization, Principles of Consolidation and Reclassifications

Bankers' Bank of the West Bancorp, Inc. ("Bancorp") is a financial holding company which owns 100% of Bankers' Bank of the West ("Bank") and 100% of BBW Consulting, Inc. BBW Consulting was formed in 2020 and is the sole member of two limited liability subsidiaries, Bank Strategies, LLC and CivITas Bank Solutions, LLC. The entities are collectively referred to as "the Company."

The accompanying consolidated financial statements include the consolidated totals of the accounts of Bankers' Bank of the West Bancorp, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain amounts in the 2020 financial statements have been reclassified to conform to the current year presentation. Significant reclassifications involve the expansion of noninterest income categories reported on the consolidated statements of comprehensive income.

Nature of Operations

The Company is headquartered in Denver, Colorado, and has an office in in Lincoln, Nebraska, and provides correspondent banking services and consulting services to financial institutions who are generally located in the Rocky Mountain and Great Plains geographic regions.

The Company is subject to competition from other entities, including other financial institutions, for loans, deposit accounts and correspondent services. The Company is also subject to regulation by certain governmental agencies and undergoes periodic examinations by those regulatory agencies. The Bank's primary regulators are the Federal Reserve and the State of Colorado Division of Banking, and the Bancorp's primary regulator is the Federal Reserve.

Use of Estimates

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.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and the valuation of investment securities. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties and assesses estimated future cash flows from borrowers' operations and the liquidation of loan collateral. In connection with the valuation of investment securities, management obtains valuations from a third-party pricing service.

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.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within the Company's areas of operations. A majority of the Company's loans are related to real estate, and borrower's abilities to honor their loans are dependent upon the continued economic viability of the areas in which the Company lends. Note D discusses the types of lending in which the Company engages. Note B discusses the securities in which the Company invests.

Cash and Cash Equivalents

Cash and cash equivalents include cash, transaction accounts at other financial institutions, interest-bearing balances at the Federal Reserve Bank and at the Federal Home Loan Bank of Topeka, and federal funds sold. For the Statement of Cash Flows, net cash flows are reported for customer loan and deposit transactions.

Investment Securities Available for Sale and Held to Maturity

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. Debt securities not classified as held to maturity are classified as "available for sale." Available for sale securities are stated at estimated fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of purchase premiums and accretion of purchase discounts. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities, except that premiums on callable securities are amortized to the earliest call date. Gains and losses on the sale of securities are determined using the specific identification method.

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

Marketable Equity Securities

Marketable equity securities are recorded at its fair value, with unrealized changes in fair value recorded through net income.

Nonmarketable Equity Securities

The Company, as a result of maintaining its relationships with the Federal Reserve Bank of Kansas City and the Federal Home Loan Bank of Topeka (FHLB), is required to maintain investments in the capital stock of these entities. Additionally, the Company also has equity interests in certain other entities. No ready market exists for these stocks and interests, and they have no quoted market value. For reporting purposes, such stock and interests are considered restricted and are carried at cost under the caption "nonmarketable equity securities."

Periodically, management evaluates nonmarketable equity securities for other-than-temporary impairment. If other-than-temporary impairment is identified, an impairment loss is recognized through earnings.

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 and the allowance for loan losses. 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 any loan 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 the Company's portfolio includes the strength of the commercial real estate market and general commercial business operating conditions in Company's lending area. Uncertainty surrounding any long-term adverse economic effect of the COVID-19 pandemic on borrowers is also a significant risk.

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.

Premises, Equipment and Software

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 expected renewal options. Software acquisition and development costs are also included in this category, and are amortized using the straight-line method over the expected useful life of the software platforms.

Foreclosed Real Estate

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure a valuation allowance is recorded through earnings. Operating costs of foreclosed real estate are expensed as incurred. Gain or loss on sale, if any, is recognized at the time of sale. In 2021 and 2020, gain on sale also includes proceeds received from another financial institution for sales of property in which the Company had an interest through prior participation in the underlying loans, but for which the carrying amount of the interest in the property was $-0-.

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 surrender charges and other amounts estimated to be due if the policies were surrendered.

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

The Bancorp files a consolidated return with its subsidiaries. However, the income tax provision is allocated to each entity as if they file separate income tax returns.

Income tax expense 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 other comprehensive income). Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. 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. Management periodically assesses the deferred tax asset, and a valuation allowance is recorded if the full amount is not expected to be realized.

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.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. The only component of other comprehensive income is net unrealized holding gains and losses on securities available for sale, net of related tax effects.

Noninterest Income

Noninterest income, other than gains on sales of assets, is substantially comprised of service charges on deposit accounts, and fees for correspondent services and merchant processing. Service charges on deposit accounts largely consist of account analysis fees, plus charges for deposit items returned for non-sufficient funds or paid as an overdraft. Merchant processing largely consists of fees for merchant card processing services. Correspondent services consists largely of fees for foreign exchange services and safekeeping services, plus other ancillary fees. In all instances, noninterest income is recognized concurrent with the Company's satisfaction of the underlying performance obligation, which typically occurs at a single point in time as a transaction or statement cycle is completed.

Off- Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit, unused lines of credit, standby letters of credit and undisbursed loans in process. These financial instruments are recorded in the financial statements when they are funded.

In conjunction with the determination of the allowance for loan losses, and using the same criteria, the Company determines the extent of credit risk on its off-balance sheet financial instruments and whether there are probable incurred credit losses on those instruments for which a loss provision is necessary. The Company has determined that there is minimal credit risk on its off-balance sheet financial instruments, and accordingly has not recorded a loss provision or allowance for those instruments.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished and, for loan participations sold, incoming cash flows on the base loan are allocated to all participants on a pro-rata basis. Control over transferred assets is deemed to be relinquished when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

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.

Significant Applicable Accounting Standards Updates Not Yet Effective

Accounting Standards Update 2016-02, *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, 2022. The Company is in the process of evaluating the impact on its consolidated financial statements and its accounting and reporting practices.

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, 2023. The Company is in the process of evaluating the impact on its consolidated financial statements and its accounting and reporting practices.

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, 2021 consolidated financial statements, Management has considered subsequent events through February 11, 2022.

NOTE B - INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale and held to maturity, with gross unrealized gains and losses, follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available for sale				
U.S. Treasury	$ 6,406	$ 2	$ (112)	$ 6,296
Mortgage backed securities	13,129	83	(104)	13,108
Collateralized mortgage obligations	5,901	35	(1)	5,935
SBA loan pools	1,479	6	-	1,485
State and municipal	1,617	-	(25)	1,592
Corporate	1,035	1	(8)	1,028
Total	$ 29,567	$ 127	$ (250)	$ 29,444
Securities held to maturity				
Mortgage backed securities	$ 96	$ 2	$ -	$ 98

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available for sale				
U.S. Treasury	$ 500	$ 11	$ -	$ 511
Mortgage backed securities	5,036	227	(3)	5,260
Collateralized mortgage obligations	8,274	24	(4)	8,294
SBA loan pools	1,823	-	(53)	1,770
Total	$ 15,633	$ 262	$ (60)	$ 15,835
Securities held to maturity				
Mortgage backed securities	$ 194	$ 6	$ -	$ 200

The amortized cost and fair value of debt securities at December 31, 2021, by contractual maturity, are shown below. Maturity information for mortgage-backed securities, CMOs and loan pools is not presented as these securities paydown on a monthly basis based upon the repayments of the loans underlying the bonds:

	Amortized Cost	Fair Value
	(in thousands)	
Securities available for sale		
Within one year	$ 500	$ 502
After one year through five years	2,967	2,909
After five years through ten years	5,088	5,005
Over ten years	503	500
	9,058	8,916
Mortgage backed securities	13,129	13,108
Collateralized mortgage obligations	5,901	5,935
SBA loan pools	1,479	1,485
	$ 29,567	$ 29,444
Securities held to maturity		
Mortgage backed securities	$ 96	$ 98

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, 2021			
	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. Treasury	$ 5,795	$ 112	$ -	$ -
Mortgage backed securities	9,005	102	126	2
Collateralized mortgage obligations	-	-	282	1
State and municipal	1,592	25	-	-
Corporate	763	8	-	-
Total	$ 17,155	$ 247	$ 408	$ 3

	December 31, 2020			
	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	$ 50	$ 1	$ 293	$ 2
Collateralized mortgage obligations	-	-	1,790	4
SBA loan pools	-	-	1,770	53
Total	$ 50	$ 1	$ 3,853	$ 59

At December 31, 2021 and 2020, unrealized losses are due to differences in market yields as compared to yields available at the time securities were purchased. Management has performed analyses of investment credit quality and cash flows on securities with unrealized losses and does not believe that any securities are impaired due to reasons of credit quality. The Company has the ability and intent to hold investment securities for a period of time sufficient for a recovery of cost, and fair value is expected to recover bonds approach maturity. Accordingly, as of December 31, 2021 and 2020, management believes the unrealized losses detailed in the table above are temporary.

At December 31, 2021 and 2020, debt securities with a carrying value of $101,000 and $102,000, respectively, were pledged to secure public deposits and for other purposes.

At December 31, 2021 and 2020 there are no equity securities carried at fair value.

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. The conversion ratio at December 31, 2021 is 1.6181.

The Company occasionally sells its 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. In 2021 and 2020, the Company sold -0- and 12,000 Class B shares, respectively. Based on the existing transfer restriction and the uncertainty of the outcome of the Visa litigation mentioned above, the remaining 12,000 Class B shares that the Company owns as of December 31, 2021 are carried at a zero-cost basis.

During 2021, the Company did not sell any investment securities. During 2020, the Company realized gross gains of $2,807,000 and gross losses of $-0- on the sale of investment securities. The gains are comprised of $481,000 on the sale of securities available for sale, $7,000 on the sale of equity securities carried at fair value, and $2,319,000 on the sale of Visa Class B shares.

NOTE C - NONMARKETABLE EQUITY SECURITIES

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

	2021	2020
	(in thousands)	
Federal Reserve Bank of Kansas City	$ 490	$ 490
Data Center, Inc.	25	25
Federal Home Loan Bank of Topeka	498	404
Bankers' Banc Investment Services, LLC	730	730
	$ 1,743	$ 1,649

NOTE D - LOANS

Major classifications of loans at December 31 are as follows:

	2021	2020
	(in thousands)	
Real estate		
Commercial	$ 143,717	$ 137,259
Construction, land and land development	40,980	30,752
Farmland	11,122	12,080
Residential	3,568	978
Agriculture production	16,876	20,351
Commercial, non real estate	23,774	33,387
Consumer	247	162
Bank stock	13,085	16,570
Other	757	1,649
Total loans	$ 254,126	$ 253,188

Transactions in the allowance for loan losses are as follows:

	For the years ended December 31, 2021 and 2020						
	Commercial real estate	Construction, land and land development	Agricultural and farmland	Commercial, non real estate	Bank stock	All other	Total
	(in thousands)						
Balance at December 31, 2019	$ 1,800	$ 408	$ 939	$ 359	$ 1,057	$ 56	$ 4,619
Provision for loan losses	685	6	(45)	108	(239)	(15)	500
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	20	-	4	-	-	24
Net (charge-offs) recoveries	-	20	-	4	-	-	24
Balance at December 31, 2020	2,485	434	894	471	818	41	5,143
Provision for loan losses	241	176	9	(123)	(329)	26	-
Charge-offs	-	-	(18)	-	-	-	(18)
Recoveries	-	-	-	3	-	-	3
Net (charge-offs) recoveries	-	-	(18)	3	-	-	(15)
Balance at December 31, 2021	$ 2,726	$ 610	$ 885	$ 351	$ 489	$ 67	$ 5,128

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, 2021						
	Commercial real estate	Construction, land and land development	Agricultural and farmland	Commercial, non real estate	Bank stock	All other	Total
	(in thousands)						
Allocation of Allowance To:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	-	-	-	-
Unimpaired loans - evaluated collectively	2,726	610	885	351	489	67	5,128
	$ 2,726	$ 610	$ 885	$ 351	$ 489	$ 67	$ 5,128
Recorded Investment In:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ 181	$ -	$ -	$ 181
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	181	-	-	181
Unimpaired loans - evaluated collectively	143,717	40,980	27,998	23,593	13,085	4,572	253,945
	$ 143,717	$ 40,980	$ 27,998	$ 23,774	$ 13,085	$ 4,572	$ 254,126

	December 31, 2020						
	Commercial real estate	Construction, land and land development	Agricultural and farmland	Commercial, non real estate	Bank stock	All other	Total
	(in thousands)						
Allocation of Allowance To:							
Impaired loans - evaluated individually	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	-	-	-	-	-
Unimpaired loans - evaluated collectively	2,485	434	894	471	818	41	5,143
	$ 2,485	$ 434	$ 894	$ 471	$ 818	$ 41	$ 5,143
Recorded Investment In:							
Impaired loans - evaluated individually	$ -	$ -	$ 268	$ 61	$ -	$ -	$ 329
Impaired loans - evaluated collectively	-	-	-	-	-	-	-
Total impaired loans	-	-	268	61	-	-	329
Unimpaired loans - evaluated collectively	137,259	30,752	32,163	33,326	16,570	2,789	252,859
	$ 137,259	$ 30,752	$ 32,431	$ 33,387	$ 16,570	$ 2,789	$ 253,188

Information relative to impaired loans is as follows:

	As of and for the year ended December 31, 2021						
	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)						
Commercial Real Estate	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction, land and land development	-	-	-	-	-	-	-
Agricultural and farmland	-	-	-	-	-	-	134
Commercial, non real estate	181	-	181	-	181	-	121
Bank stock	-	-	-	-	-	-	-
All other	-	-	-	-	-	-	-
	$ 181	$ -	$ 181	$ -	$ 181	$ -	$ 255

	As of and for the year ended December 31, 2020						
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance On Impaired Loans	Contractual Principal Of Impaired Loans	Commitments To Extend Credit On Impaired Loans	Average Impaired Loans
	(in thousands)						
Commercial Real Estate	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction, land and land development	-	-	-	-	-	-	-
Agricultural and farmland	268	-	268	-	268	-	269
Commercial, non real estate	61	-	61	-	61	-	75
Bank stock	-	-	-	-	-	-	-
All other	-	-	-	-	-	-	-
	$ 329	$ -	$ 329	$ -	$ 329	$ -	$ 344

Interest income recognized on impaired loans for the years ended December 31, 2021 and 2020 was immaterial.

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

	December 31, 2021							
	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)							
Commercial Real Estate	$143,717	$ -	$ -	$ -	$ 143,717	$ 143,717	$ -	$ -
Construction, land and land development	40,980	-	-	-	40,980	40,980	-	-
Agricultural and farmland	27,998	-	-	-	27,998	27,998	-	-
Commercial, non real estate	23,582	-	11	181	23,774	23,593	-	181
Bank stock	13,085	-	-	-	13,085	13,085	-	-
All other	4,572	-	-	-	4,572	4,572	-	-
	$253,934	$ -	$ 11	$ 181	$ 254,126	$ 253,945	$ -	$ 181

	December 31, 2020							
	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)							
Commercial Real Estate	$137,259	$ -	$ -	$ -	$ 137,259	$ 137,259	$ -	$ -
Construction, land and land development	30,752	-	-	-	30,752	30,752	-	-
Agricultural and farmland	32,163	-	-	268	32,431	32,163	-	268
Commercial, non real estate	33,326	-	-	61	33,387	33,326	-	61
Bank stock	16,570	-	-	-	16,570	16,570	-	-
All other	2,789	-	-	-	2,789	2,789	-	-
	$252,859	$ -	$ -	$ 329	$ 253,188	$ 252,859	$ -	$ 329

The Company had no troubled debt restructurings (TDRs) at December 31, 2021 and 2020.

NOTE E – PREMISES, EQUIPMENT AND SOFTWARE

At December 31, premises, equipment and software consisted of the following:

	2021	2020
	(in thousands)	
Leasehold improvements	$ 102	$ 102
Furniture and equipment	1,273	1,252
Software	2,530	2,347
	3,905	3,701
Accumulated depreciation and amortization	(3,053)	(2,581)
	$ 852	$ 1,120

NOTE F – DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more at December 31, 2021 and 2020 was $4,250,000 and $15,505,000, respectively. At December 31, 2021 and 2020, brokered time deposits totaled $17,222,000 and $26,275,000, respectively. Scheduled maturities of time deposits at December 31, 2021 are as follows:

	(in thousands)
2022	$ 18,414
2023	12,251
2024	7,720
2025	2,999
	$ 41,384

NOTE G - INCOME TAXES

Income tax expense is comprised of the following for the years ended December 31:

	2021	2020
	(in thousands)	
Current tax provision		
Federal	$ 1,014	$ 1,504
State	249	300
	1,263	1,804
Deferred tax provision (benefit)		
Federal	(189)	(293)
State	(28)	158
	(217)	(135)
	$ 1,046	$ 1,669

The net deferred tax asset, included as a component of other assets, is comprised of the following as of December 31:

	2021	2020
	(in thousands)	
Deferred tax assets		
Salary continuation plan	$ 768	$ 725
Allowance for loan and lease losses	114	114
Split-dollar life insurance benefit	233	210
Leasehold improvements and equipment	42	-
Net unrealized loss on available for sale securities	30	-
Other	216	156
	1,403	1,205
Deferred tax liabilities		
Leasehold improvements and equipment	-	(49)
Net unrealized gain on available for sale securities	-	(50)
Other	(7)	(7)
	(7)	(106)
Net deferred tax asset	$ 1,396	$ 1,099

The difference between income tax expense at the 21% statutory federal rate and the Company's effective tax rate of 22% for 2021 and 24% for 2020 is due primarily to state income taxes.

NOTE H – BORROWINGS

Federal Funds

The Company has direct federal funds borrowing lines with its correspondent banks, and access to the Federal Reserve's Discount Window, with an aggregate credit limit of $123,808,000 at December 31, 2021. The Company had no outstanding borrowings under these lines at December 31, 2021 and 2020. 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.

At December 31, 2021 and 2020, the Company separately had $90,808,000 and $82,844,000, respectively, in federal funds purchased as a result of its correspondent operations. The amounts represent the excess of funds received from other institutions as agent over the amount placed with other institutions as agent.

Note Payable

In 2021 the Company obtained a revolving line of credit from another financial institution with an available credit limit of $5,000,000. Interest on the line accrues at 0.25% less than the prime rate published by the Wall Street Journal (with a 3.25% floor) and is due quarterly. Principal is due by maturity in September, 2022. The loan is secured by all the common stock of the Bank. At December 31, 2021, the outstanding balance on the line is $495,000.

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. The instruments involve, to a varying degree, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. 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 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.

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, 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.

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

	2021	2020
	(in thousands)	
Commitments to extend credit	$ 150,039	$ 114,836

NOTE J - LEASE 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:

	(in thousands)
2022	$ 779
2023	760
2024	778
2025	265
	$ 2,582

Total expense for these leases, including variable costs, was $827,000 and $793,000 in 2021 and 2020, respectively.

NOTE K - EMPLOYEE BENEFIT PLANS

The Company provides a 401(k) plan in which substantially all of its employees may participate. The Company may make matching contributions of 100% of the first 5% of a participant's compensation. The Company also provides a noncontributory profit sharing plan. The amount of the contribution to the noncontributory plan may equal up to 2.5% of compensation and the amount of the contribution is determined annually at the discretion of the Board of Directors. Matching contributions are fully vested, and profit sharing contributions vest over six years. The Company's expense related to these plans was $384,000 and $392,000 in 2021 and 2020, 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 for these agreements were $387,000 in 2021 and $533,000 in 2020. The Company's liability for the obligations under these agreements totals $3,122,000 and $2,947,000 at December 31, 2021 and 2020, respectively, and is included as a component of other liabilities. Expense for 2020 includes the effect of actuarial adjustments related to expected lifespan of employees covered by the agreements.

NOTE L - RELATED PARTIES

At December 31, 2021 the Company had $2,242,000 in outstanding loans receivable from directors, officers and principal owners of the Company and their related business interests. At December 31, 2020 the Company had $2,650,000 in outstanding loans receivable from directors, officers and principal owners of the Company and their related business interests. At December 31, 2021 the Company has $10,000,000 in unfunded loan commitments to 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 to the Bancorp by the Bank. Under Colorado law, regulatory approval is required for the Bank to pay dividends in any calendar year which exceed the Bank's net profit for that year combined with its retained profits for the preceding two years.

NOTE N – FAIR VALUE

The following is a description of the Company's valuation methodologies for financial assets and liabilities recorded at fair value:

Investment Securities: Debt securities are reported at fair value based upon measurements obtained from an independent pricing service. The fair value measurements for debt securities are determined by quoted market prices, if available (Level 1), or consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things (Level 2). Equity securities carried at fair value are recorded at the market quoted price (Level 1).

Impaired Loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, valuation allowances are recorded on these loans to reflect (1) the current appraised or market-quoted value of the underlying collateral, or (2) the discounted value of expected cash flows. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for impaired loans measured for impairment based upon the value of the collateral are obtained from independent appraisers or other third-party consultants, and for other impaired loans are based on discounted cash flow analyses (Level 3).

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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets measured at fair value on a recurring basis				
Securities available for sale				
U.S. Treasury	$ 6,296	$ -	$ -	$ 6,296
Mortgage backed securities		13,108		13,108
Collateralized mortgage obligations		5,935		5,935
SBA loan pools	-	1,485	-	1,485
State and municipal	-	1,592	-	1,592
Corporate	-	1,028	-	1,028
Total securities available for sale	$ 6,296	$ 23,148	$ -	$ 29,444

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets measured at fair value on a recurring basis				
Securities available for sale				
U.S. Treasury	$ -	$ 511	$ -	$ 511
Mortgage backed securities	-	5,260	-	5,260
Collateralized mortgage obligations	-	8,294	-	8,294
SBA loan pools	-	1,770	-	1,770
Total securities available for sale	$ -	$ 15,835	$ -	$ 15,835

During 2021 and 2020 there were no changes or amounts in Level 3 assets or liabilities recorded at fair value on a recurring basis.

At December 31, 2021 and 2020, there were no impaired loans with a valuation allowance.

NOTE O – 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 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. The Bank has elected to opt-out of the requirement to include most components of accumulated other comprehensive income in common equity tier 1 capital.

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). The Basel III capital rules 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), effectively resulting in a minimum ratio of common equity tier 1 capital to risk-weighted assets of 7%).

The Bank is also 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 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, 2021 and 2020 for the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels plus 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		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of December 31, 2021						
Total capital to risk weighted assets	$ 57,550	17.5%	$ 34,458	10.5%	$ 32,817	10.0%
Tier 1 capital to risk weighted assets	53,436	16.3%	27,895	8.5%	26,254	8.0%
Common equity tier 1 capital to risk weighted assets	53,436	16.3%	22,972	7.0%	21,331	6.5%
Tier 1 capital to average assets	53,436	11.3%	18,880	4.0%	23,600	5.0%
As of December 31, 2020						
Total capital to risk weighted assets	$ 56,542	18.5%	$ 32,069	10.5%	$ 30,542	10.0%
Tier 1 capital to risk weighted assets	52,708	17.3%	25,961	8.5%	24,434	8.0%
Common equity tier 1 capital to risk weighted assets	52,708	17.3%	21,379	7.0%	19,852	6.5%
Tier 1 capital to average assets	52,708	10.3%	20,427	4.0%	25,534	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 Company's financial statements. Management believes, as of December 31, 2021, 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 P – PREFERRED STOCK

The Company's outstanding preferred stock is cumulative and pays dividends at a rate of prime plus 2% per annum (adjusted annually, with a floor of 6%). As of December 31, 2021, all outstanding preferred stock is redeemable at the Company's option.

NOTE Q – SUBSEQUENT EVENTS

On January 21, 2022, the Company declared a dividend of $4.85 per share to common shareholders of record as of January 21, 2022, and the normal quarterly dividend on preferred stock. The dividends are $1,001,000 and $111,000, respectively.

SUPPLEMENTAL CONSOLIDATING SCHEDULES

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

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS

	December 31, 2021						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
ASSETS							
Cash and due from banks	$ 192	$ 8,396	$ 22	$ 10	$ 3	$ (227)	$ 8,396
Interest-bearing deposits	-	105,388	-	-	-	-	105,388
Federal funds sold	-	3,310	-	-	-	-	3,310
Cash and cash equivalents	192	117,094	22	10	3	(227)	117,094
Investment securities							
Available for sale	-	29,444	-	-	-	-	29,444
Held to maturity	-	96	-	-	-	-	96
Nonmarketable equity securities	-	1,743	-	-	-	-	1,743
Investment in Bankers' Bank of the West	54,523	-	-	-	-	(54,523)	-
Investment in BBW Consulting, Inc.	116	-	-	-	-	(116)	-
Member equity in Bank Strategies, LLC	-	-	11	-	-	(11)	-
Member equity in CivlTas Bank Solutions, LLC	-	-	86	-	-	(86)	-
Loans and leases	-	254,126	-	-	-	-	254,126
Less allowance for loan and lease losses	-	5,128	-	-	-	-	5,128
Net loans	-	248,998	-	-	-	-	248,998
Premises, equipment and software, net	-	841	11	-	-	-	852
Accrued interest receivable	-	979	-	-	-	-	979
Cash surrender value of life insurance	-	13,020	-	-	-	-	13,020
Other assets	-	4,201	-	1	101	-	4,303
TOTAL ASSETS	$ 54,831	$ 416,416	$ 130	$ 11	$ 104	$ (54,963)	$ 416,529
LIABILITIES							
Deposits							
Noninterest-bearing	$ -	217,604	$ -	$ -	$ -	$ (227)	$ 217,377
Interest-bearing	-	41,384	-	-	-	-	41,384
Total deposits	-	258,988	-	-	-	(227)	258,761
Federal funds purchased	-	90,808	-	-	-	-	90,808
Note payable	495	-	-	-	-	-	495
Accrued interest payable	-	24	-	-	-	-	24
Other liabilities	15	12,073	14	-	18	-	12,120
Total Liabilities	510	361,893	14	-	18	(227)	362,208
STOCKHOLDERS' EQUITY							
Preferred stock	7,375	-	-	-	-	-	7,375
Common stock	2,063	1,234	10	-	-	(1,244)	2,063
Member equity	-	-	-	(215)	21	194	-
Capital surplus	13,302	15,091	561	-	-	(15,652)	13,302
Retained earnings	31,674	38,291	(455)	226	65	(38,127)	31,674
Accumulated other comprehensive loss	(93)	(93)	-	-	-	93	(93)
Total stockholders' equity	54,321	54,523	116	11	86	(54,736)	54,321
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 54,831	$ 416,416	$ 130	$ 11	$ 104	$ (54,963)	$ 416,529

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

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS

	December 31, 2020						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
ASSETS							
Cash and due from banks	$ 461	$ 8,366	$ 92	$ 10	$ 10	$ (573)	$ 8,366
Interest-bearing deposits	-	205,979	-	-	-	-	205,979
Federal funds sold	-	500	-	-	-	-	500
Cash and cash equivalents	461	214,845	92	10	10	(573)	214,845
Investment securities							
Available for sale	-	15,835	-	-	-	-	15,835
Held to maturity	-	194	-	-	-	-	194
Nonmarketable equity securities	-	1,649	-	-	-	-	1,649
Investment in Bankers' Bank of the West	53,621	-	-	-	-	(53,621)	-
Investment in BBW Consulting, Inc.	294	-	-	-	-	(294)	-
Member equity in Bank Strategies, LLC	-	-	10	-	-	(10)	-
Member equity in CivlTas Bank Solutions, LLC	-	-	97	-	-	(97)	-
Loans and leases	-	253,188	-	-	-	-	253,188
Less allowance for loan and lease losses	-	5,143	-	-	-	-	5,143
Net loans	-	248,045	-	-	-	-	248,045
Premises, equipment and software, net	-	1,109	11	-	-	-	1,120
Accrued interest receivable	-	1,468	-	-	-	-	1,468
Cash surrender value of life insurance	-	11,332	-	-	-	-	11,332
Other assets	-	3,450	84	-	88	(84)	3,538
TOTAL ASSETS	$ 54,376	$ 497,927	$ 294	$ 10	$ 98	$ (54,679)	$ 498,026
LIABILITIES							
Deposits							
Noninterest-bearing	$ -	249,538	$ -	$ -	$ -	$ (573)	$ 248,965
Interest-bearing	-	100,417	-	-	-	-	100,417
Total deposits	-	349,955	-	-	-	(573)	349,382
Federal funds purchased	-	82,844	-	-	-	-	82,844
Accrued interest payable	-	75	-	-	-	-	75
Other liabilities	321	11,432	-	-	1	(84)	11,670
Total Liabilities	321	444,306	-	-	1	(657)	443,971
STOCKHOLDERS' EQUITY							
Preferred stock	8,375	-	-	-	-	-	8,375
Common stock	2,093	1,234	10	-	-	(1,244)	2,093
Member equity	-	-	-	(96)	86	10	-
Capital surplus	13,563	15,091	541	-	-	(15,632)	13,563
Retained earnings	29,872	37,144	(257)	106	11	(37,004)	29,872
Accumulated other comprehensive income	152	152	-	-	-	(152)	152
Total stockholders' equity	54,055	53,621	294	10	97	(54,022)	54,055
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 54,376	$ 497,927	$ 294	$ 10	$ 98	$ (54,679)	$ 498,026

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

SUPPLEMENTAL CONSOLIDATING INCOME STATEMENTS

	Year Ended December 31, 2021						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
INTEREST INCOME							
Interest and fees on loans and leases	$ -	$ 12,136	$ -	$ -	$ -	$ -	$ 12,136
Interest on taxable investment securities	-	426	-	-	-	-	426
Interest on deposits and federal funds sold	-	278	-	-	-	-	278
Total interest income	-	12,840	-	-	-	-	12,840
INTEREST EXPENSE							
Deposits	-	1,170	-	-	-	-	1,170
Federal funds purchased	-	33	-	-	-	-	33
Note payable	3	-	-	-	-	-	3
Total interest expense	3	1,203	-	-	-	-	1,206
Net interest income before provision for loan and lease losse	(3)	11,637	-	-	-	-	11,634
Provision for loan and lease losses	-	-	-	-	-	-	-
Net interest income after provision for loan and lease losses	(3)	11,637	-	-	-	-	11,634
Equity in earnings of subsidiaries	3,606	-	174	-	-	(3,780)	-
NONINTEREST INCOME							
Service charges on deposit accounts	-	2,100	-	-	-	-	2,100
Merchant processing program	-	8,415	-	-	-	-	8,415
Correspondent services	-	2,662	-	-	-	-	2,662
Gain on sale of foreclosed real estate	-	142	-	-	-	-	142
Other income	-	324	-	126	133	-	583
Total noninterest income	-	13,643	-	126	133	-	13,902
NONINTEREST EXPENSE							
Salaries and employee benefits	-	7,103	436	-	-	-	7,539
Occupancy and equipment	-	1,117	-	-	1	-	1,118
Data processing and software	-	980	-	-	62	-	1,042
Merchant processing program		7,534					7,534
Service charges	-	2,002	-	-	-	-	2,002
Other expenses	16	1,583	-	6	16	-	1,621
Total noninterest expenses	16	20,319	436	6	79	-	20,856
Income before income taxes	3,587	4,961	(262)	120	54	(3,780)	4,680
Income tax expense (benefit)	(47)	1,157	(64)	-	-	-	1,046
NET INCOME	$ 3,634	$ 3,804	$ (198)	$ 120	$ 54	$ (3,780)	$ 3,634

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

SUPPLEMENTAL CONSOLIDATING INCOME STATEMENTS

	Year Ended December 31, 2020						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
INTEREST INCOME							
Interest and fees on loans and leases	$ -	$ 12,881	$ -	$ -	$ -	$ -	$ 12,881
Interest on taxable investment securities	-	455	-	-	-	-	455
Interest on deposits and federal funds sold	-	516	-	-	-	-	516
Total interest income	-	13,852	-	-	-	-	13,852
INTEREST EXPENSE							
Deposits	-	2,644	-	-	-	-	2,644
Federal funds purchased	-	218	-	-	-	-	218
Total interest expense	-	2,862	-	-	-	-	2,862
Net interest income before provision for loan and lease loss	-	10,990	-	-	-	-	10,990
Provision for loan and lease losses	-	500	-	-	-	-	500
Net interest income after provision for loan and lease losses	-	10,490	-	-	-	-	10,490
Equity in earnings of subsidiaries	5,188	-	117	-	-	(5,305)	-
NONINTEREST INCOME							
Service charges on deposit accounts	-	1,902	-	-	-	-	1,902
Merchant processing program	-	7,792	-	-	-	-	7,792
Correspondent services	-	2,492	-	-	-	-	2,492
Gain on sale of investment securities	-	2,807	-	-	-	-	2,807
Change in fair value of marketable equity securities	-	9	-	-	-	-	9
Gain on sale of foreclosed real estate	-	1,062	-	-	-	-	1,062
Other income	-	364	-	119	24	-	507
Total noninterest income	-	16,428	-	119	24	-	16,571
NONINTEREST EXPENSE							
Salaries and employee benefits	-	7,229	446	-	-	-	7,675
Occupancy and equipment	-	1,083	-	-	-	-	1,083
Data processing and software	-	992	-	-	-	-	992
Merchant processing program		6,946					6,946
Service charges	-	2,055	-	-	-	-	2,055
Other expenses	26	1,425	12	13	13	-	1,489
Total noninterest expenses	26	19,730	458	13	13	-	20,240
Income before income taxes	5,162	7,188	(341)	106	11	(5,305)	6,821
Income tax expense (benefit)	10	1,743	(84)	-	-	-	1,669
NET INCOME	$ 5,152	$ 5,445	$ (257)	$ 106	$ 11	$ (5,305)	$ 5,152