INBANKSHARES, CORP

2021 Annual Report

INBANKSHARES, CORP

To our Shareholders and Friends,

On behalf of our Management Team and our Board of Directors, we are delighted to present the 2021 Annual Report. We are grateful for your ongoing support and hope that you will join us for our annual meeting of shareholders on June 8, 2022.

2021 represented the third full year of operations for InBankshares, Corp, and I'm pleased to report that the momentum in growing our balance sheet continued. More importantly, our earnings momentum continued to improve with EPS doubling for the full year of 2021 to $0.36 per share compared to $0.18 per share in 2020. Our pre-provision pre-tax net revenue ("PPNR"), a measure of core earnings, for full year 2021 grew 76% to $4.9 million compared to full year 2020.

Our balance sheet growth is being fueled by our bankers' drive to win market share in the Denver MSA. Over the past four years, InBank's deposits compounded annual growth rate (CAGR) for the Denver MSA was 95% vs the total Denver MSA deposit market CAGR of 11%. Our mix of deposits continued to improve with non-interest being deposits growing 49.3% year over year and represented 40.7% of our overall deposits at December 31, 2021. This favorable deposit mix also helped us drive down our full year cost of deposits by 21 bps year over year. In addition to the strong deposit growth, our bankers were able to grow core loans (excluding PPP loans) 26.9% compared to the previous year.

Our continued ability to deliver *certainty in times of uncertainty* has elevated InBank's brand in the Front Range markets of Colorado and northern New Mexico. In fact, InBank was recognized by ColoradoBiz Magazine being named as the best startup up company in Colorado in 2021, AND one of three finalists in the Financial Services category. In addition, InBank was recognized by Governor Polis and the Colorado Office of Economic Development as a "PPP Hero". I am so proud of our team's effort these past few years. The recognition received is a direct reflection of their commitment to service and tireless work to deliver a differentiated banking experience.

We welcomed two new executives to the team in 2021 and opened our first office in Boulder. Dan Patten, EVP & CFO, has added tremendous expertise and leadership to our executive team. His deep experience as a CFO, and in leading M&A has improved our operating results and positioned us to be successful in scaling the company through M&A. In addition, we welcomed Adrianne Tracy, SVP Market President Boulder, and a supporting team of talented bankers. Adrianne's team added $22M in new loans and over $24M in new deposits to the bank in 2021.

InBank's asset quality continued to improve in 2021, with non-performing assets improving to just 0.13% of total assets compared to 0.25% of total assets at the end of 2020. The allowance for loan and lease loss ended the year at 0.81%, excluding PPP loans. When combined with the bank's purchase discounts totaling $3.4M the total represents 1.58% of total loans at the end of 2021. Past due loans were elevated at December 31, 2021 due to one single family real estate loan that is very well secured with no loss expected.

On the immediate horizon for the company is the acquisition of Legacy Bank that was announced on November 30, 2021. This transformational merger will be highly accretive to EPS and significantly improve our operating leverage. In addition, we will connect our Denver/Boulder region to our Trinidad and northern New Mexico markets with the addition of the Colorado Springs and Pueblo markets to our footprint. We will also have banking centers in Wiley, Lamar, Cañon City and Buena Vista. We continue to be bullish on the opportunity to add momentum to InBank's organic growth in these markets, and we believe the additional scale will be accommodating to our continued success in winning market share in our Denver and Boulder markets. Upon close, the total assets of the company are expected to be ~$1.2 billion, and we will be operating 19 banking centers from Boulder down the 1-25 Front Range corridor to our most southern markets in Colfax, County New Mexico.

Our board and executive team continue to focus our strategic efforts on building shareholder value. As mentioned, InBank is well positioned to outpunch our peers and continue to win market share. Our previous investments in people and technology are allowing InBank to absorb Legacy Bank with minimal new investments, which in turn will help us achieve stronger operating leverage and significantly grow our earnings per share.

Since closing on the purchase of International Bank on June 21, 2018, we will have achieved total asset growth of over four times (4 X) in under four years. This is well ahead of our original five-year projections of reaching $950M in total assets by June of 2023. While we have been short of our original profit plan, we feel that the scale and operating leverage afforded by our organic growth and the acquisition of Legacy will position the company to harness significant earnings momentum.

Thank you for your continued support of InBankshares, Corp, InBank, and our Board of Directors.

Respectfully,

Edward G. Francis, Sr.

Chairman, President and Chief Executive Officer

For more information about our 2021 results and the Legacy Bank acquisition, please visit the Investor Relation section of our website at www.inbank.com/investor-relations/

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR’S REPORT

INBANKSHARES, CORP AND SUBSIDIARY

December 31, 2021 and 2020

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
InBankshares, Corp
Greenwood Village, Colorado

Opinion

We have audited the accompanying consolidated financial statements of InBankshares, Corp and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income (loss), 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 InBankshares, Corp and Subsidiary 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 InBankshares, Corp and Subsidiary, 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 InBankshares, Corp'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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Certified Public Accountants • A Professional Corporation

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 InBankshares, Corp and Subsidiary's 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 InBankshares, Corp'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.

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

Denver, Colorado
March 18, 2022

InBankshares, Corp and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2021	December 31, 2020
	(in thousands)	
ASSETS		
Cash and due from banks	$ 4,915	$ 6,688
Interest-bearing deposits in banks	51,393	32,704
Federal funds sold and reverse repos	5,104	-
Total cash and cash equivalents	61,412	39,392
Investment securities at fair value	58	31
Investment securities available for sale	229,967	128,098
Nonmarketable equity investments	3,507	2,301
Loans held for sale	1,282	7,497
Loans	431,283	410,866
Less allowance for loan losses	(3,374)	(2,151)
Net loans	427,909	408,715
Accrued interest receivable	1,909	2,431
Real estate held for sale	436	778
Premises and equipment, net	6,683	7,435
Deferred tax asset	986	333
Intangible assets	9,958	10,574
Other assets	1,126	1,150
Total assets	$ 745,233	$ 608,735
LIABILITIES		
Deposits		
Noninterest-bearing	$ 255,591	$ 171,191
Interest-bearing	372,159	310,380
Total deposits	627,750	481,571
Repurchase agreements and other short term borrowings	11,897	46,241
Subordinated debentures	24,454	4,874
Accrued interest payable	71	186
Accrued expenses and other liabilities	3,822	3,956
Total liabilities	667,994	536,828
Commitments (Notes 5, 6, 7, 14, 17)		
STOCKHOLDERS' EQUITY		
Preferred stock: 1,000,000 shares authorized, par $0.01/share, none issued or outstanding	-	-
Voting common stock: 50,000,000 shares authorized, par $0.01/share, 6,214,650 and 5,328,616 shares issued and outstanding at December 31, 2021 and 2020, respectively	62	53
Non-voting common stock: 20,000,000 shares authorized, par $0.01/share, 1,785,500 and 1,996,500 shares issued and outstanding at December 31, 2021 and 2020, respectively	18	20
Additional paid-in capital	74,892	69,450
Retained earnings (accumulated deficit)	918	(1,831)
Accumulated other comprehensive income	1,349	4,215
Total stockholders' equity	77,239	71,907
Total liabilities and stockholders' equity	$ 745,233	$ 608,735

The accompanying notes are an integral part of these statements.

InBankshares, Corp and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31, 2021	2020
	(in thousands, except per-share amounts)	
Interest and dividend income		
Interest and fees on loans	$ 21,459	$ 18,651
Interest on taxable debt securities	2,718	1,856
Interest on tax-exempt debt securities	1,397	995
Dividends on equity securities	11	20
Interest-bearing cash and cash equivalents	162	252
Total interest and dividend income	25,747	21,774
Interest expense		
Deposits	1,108	1,596
Federal funds purchased, repurchase agreements and short term borrowings	107	296
Subordinated debentures	393	225
Total interest expense	1,608	2,117
Net interest income	24,139	19,657
Provision for loan losses	1,119	1,142
Net interest income after provision for loan losses	23,020	18,515
Noninterest income		
Service charges on deposit accounts	506	385
ATM, debit and credit card	1,001	694
Mortgage banking	502	262
Gain on sale of SBA and CRE loans	652	12
Gain on sale of investment securities	133	1,630
Other noninterest income	700	388
Total noninterest income	3,494	3,371
Noninterest expense		
Salaries and employee benefits	14,029	12,351
Occupancy and equipment	1,487	1,447
Data processing and software	2,278	1,953
Professional fees	1,024	961
Office expenses and supplies	671	539
Franchise taxes	200	200
Business development	474	394
Director fees and expenses	323	221
Amortization of core deposit intangible	616	699
Merger and acquisition expense	292	-
Other noninterest expense	1,626	1,478
Total noninterest expense	23,020	20,243
Income before income taxes	3,494	1,643
Income tax expense	745	366
Net income	$ 2,749	$ 1,277
Basic income per share	$ 0.36	$ 0.18
Diluted income per share	$ 0.35	$ 0.18

The accompanying notes are an integral part of these statements.

InBankshares, Corp and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years ended December 31, 2021	Years ended December 31, 2020
	(in thousands)	
Net income	$ 2,749	$ 1,277
Other comprehensive income (loss)		
Change in unrealized gains and losses on securities available for sale	(3,715)	6,041
Reclassification adjustment for net gain on sale of securities available for sale realized in net income	(133)	(1,630)
Net change in unrealized gains and losses	(3,848)	4,411
Tax effect	982	(1,132)
Total other comprehensive income (loss)	(2,866)	3,279
Total comprehensive income (loss)	$ (117)	$ 4,556

The accompanying notes are an integral part of these statements.

InBankshares, Corp and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2021 and 2020

	Voting common stock		Non-voting common stock			Retained earnings	Accumulated other	
	Shares	Amount	Shares	Amount	Additional paid-in capital	(accumulated deficit)	comprehensive income	Total
	(in thousands, except share amounts)							
Balance at December 31, 2019	5,075,500	$ 50	1,996,500	$ 20	$ 66,485	$ (3,136)	$ 936	$ 64,355
Effect of application of Accounting Standards Update 2016-01	-	-	-	-	-	28	-	28
Stock issued for Directors' compensation	16,250	-	-	-	-	-	-	-
Stock sold to the Company's Employee Stock Ownership Plan	18,946	-	-	-	151	-	-	151
Stock sold in private placement	220,000	3	-	-	1,802	-	-	1,805
Private placement stock issuance costs	-	-	-	-	(50)	-	-	(50)
Stock repurchased from the Company's Employee Stock Ownership Plan	(2,080)	-	-	-	(17)	-	-	(17)
Net income	-	-	-	-	-	1,277	-	1,277
Other comprehensive income	-	-	-	-	-	-	3,279	3,279
Stock-based compensation expense	-	-	-	-	1,079	-	-	1,079
Balance at December 31, 2020	5,328,616	53	1,996,500	20	69,450	(1,831)	4,215	71,907
Stock issued for Directors' compensation	21,742	-	-	-	-	-	-	-
Restricted stock units - 69,000 shares vesting, net of shares withheld for recipient tax liabilities	53,292	1	-	-	(130)	-	-	(129)
Stock sold in private placement	610,000	6	-	-	4,996	-	-	5,002
Private placement stock issuance costs	-	-	-	-	(73)	-	-	(73)
Shares converted from non-voting to voting common stock	211,000	2	(211,000)	(2)	-	-	-	-
Stock repurchased	(10,000)	-	-	-	(82)	-	-	(82)
Net income	-	-	-	-	-	2,749	-	2,749
Other comprehensive loss	-	-	-	-	-	-	(2,866)	(2,866)
Stock-based compensation expense	-	-	-	-	731	-	-	731
Balance at December 31, 2021	6,214,650	$ 62	1,785,500	$ 18	$ 74,892	$ 918	$ 1,349	$ 77,239

The accompanying notes are an integral part of these statements.

InBankshares, Corp and Subsidiary

CONSOLIDATED STATEMENTS OF CASHFLOWS

	Years ended December 31, 2021	2020
	(in thousands)	
Cash flows from operating activities		
Net income	$ 2,749	$ 1,277
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	1,119	1,142
Depreciation and amortization	850	873
Net amortization on investment securities	1,206	474
Stock-based compensation	731	1,079
Amortization of core deposit intangible	616	699
Accretion of purchase discount on loans	(681)	(683)
Amortization of purchase discount and offering costs on subordinated debentures	44	23
Deferred income tax expense	329	329
Change in fair value of investment securities at fair value	(27)	4
Net gain on sale of investment securities available for sale	(133)	(1,630)
Stock dividends on nonmarketable equity investments	(7)	(17)
Net loss on dispositions of fixed assets	5	-
Net loss (gain) on sale of real estate held for sale	67	(11)
Write-downs of real estate held for sale	30	-
Net change in:		
Loans held for sale	6,215	(7,497)
Accrued interest receivable	522	(1,112)
Accrued interest payable	(115)	(129)
Accrued expenses and other liabilities	(242)	1,031
Net cash provided by (used by) operating activities	13,278	(4,148)
Cash flows from investing activities		
Purchase of securities available for sale	(138,560)	(93,666)
Maturities, calls and paydowns of securities available for sale	27,627	26,182
Sale of securities available for sale	4,143	46,113
Purchase of nonmarketable equity investments	(1,199)	(1,363)
Redemption of nonmarketable equity investments	-	2,220
Loan originations and principal collections, net	(19,893)	(177,498)
Proceeds from sales of real estate held for sale	506	1,879
Acquisition of premises, equipment and software	(226)	(436)
Proceeds from sale of premises, equipment and software	255	-
Net cash used in investing activities	(127,347)	(196,569)
Cash flows from financing activities		
Net change in deposits	146,179	188,026
Net change in federal funds purchased, repurchase agreements and other short term borrowings	(34,344)	14,953
Issuance of subordinated debt, net of offering costs	19,536	-
Issuance of common stock, net of offering costs	4,929	1,906
Withholding taxes paid on vested restricted stock units	(129)	-
Redemption of common stock	(82)	(17)
Net cash provided by financing activities	136,089	204,868
Change in cash and cash equivalents	22,020	4,151
Cash and cash equivalents at beginning of year	39,392	35,241
Cash and cash equivalents at end of year	$ 61,412	$ 39,392
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 1,679	$ 2,223
Cash paid during the year for income taxes	146	-
Supplemental Disclosures of Non-Cash Transactions		
Loan balances transferred to real estate held for sale	261	169

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The accounting and reporting policies of InBankshares Corp and Subsidiary conform to U.S. generally accepted principles and to general practice within the banking industry. The following is a summary of the significant accounting and reporting policies:

Nature of Operations

InBankshares Corp is a bank holding company that was formed in 2017 as a Delaware corporation, under the name FFP Group, Inc., for the purpose of pursuing business opportunities in financial services. In 2018, FFP Group, Inc. formally commenced operations, completed a capital raise, acquired InBank, and changed its name to InBankshares Corp ("IBC"). IBC owns 100% of the stock of InBank ("the Bank"), whose official name was International Bank until a formal name change in 2020. IBC and the Bank are collectively referred to as "the Company."

The Company provides a full range of banking and mortgage services to individual and business customers. IBC is headquartered in Greenwood Village, Colorado. The Bank is chartered in Raton, New Mexico, and operates eight branches and two loan production offices. Colorado locations include branches located in Aurora, Greenwood Village and Trinidad, and loan production offices in Denver and Boulder. New Mexico locations include branches in Raton, Cimarron, Angel Fire and Springer, and a drive-up facility in Raton. The Greenwood Village and Denver locations were opened in 2019, and the Boulder location was opened in 2021.

The Company is not a filer with the Securities and Exchange Commission; however, in January 2021 the Company listed its voting common stock on OTC Markets' OTCQX exchange, which trades under the symbol "INBC."

The Company is subject to competition from other financial institutions and other financial services providers for loans, deposit accounts and other banking services. The Company is also subject to regulation by certain governmental agencies and undergoes periodic examinations by those regulatory agencies. IBC's primary regulator is the Federal Reserve, and the Bank's primary regulators are the Federal Deposit Insurance Corporation and the State of New Mexico's Financial Institution Division.

Basis of Consolidation and Reclassifications

The accompanying consolidated financial statements include the consolidated totals of the accounts of IBC and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications to 2020 amounts have been made to conform to the current year presentation.

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 statement of financial condition 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, the amount of loan purchase discounts subject to accretion to interest income, the fair value of real estate held for sale, and the fair value of investment securities available for sale. In connection with the determination of the allowance for loan losses and the amount of purchase discounts subject to accretion to interest income, management assesses estimated future cash flows from borrowers' operations and the liquidation of loan collateral based on loan performance, internal evaluations of borrower credit quality using financial information provided by borrowers, and internal valuations or independent appraisals of the real estate and other loan collateral depending on the significance of the collateral. In connection with the determination of the fair value of real estate held for sale, management performs internal valuations or obtains independent appraisals depending on the significance of the properties. In connection with the determination of the fair value of investment securities available for sale, management obtains valuations from a third-party pricing and interest rate risk modeling provider.

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 borrowers' abilities to honor their loans are dependent upon the continued economic viability of the areas in which the Company lends. Note 6 discusses the types of lending in which the Company engages. Note 4 discusses the securities in which the Company invests.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, transaction accounts at other financial institutions, interest-bearing balances at the Federal Reserve Bank and other correspondent banks, reverse repurchase agreements, and federal funds sold. For the Consolidated Statement of Cash Flows, net cash flows are reported for customer loan and deposit transactions.

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

At December 31, 2021 and 2020, the Company is not required to have cash on hand or on deposit with the Federal Reserve to meet regulatory reserve and clearing requirements as reserve requirements were reduced to $-0- by the Federal Reserve in March, 2020.

Investment Securities at Fair Value

Investment securities at fair value are readily marketable equity securities carried at fair value based on the quoted market price. Unrealized changes in fair value are recorded through earnings in the period of change.

Investment Securities Available for Sale

The Company's debt securities are classified as "available for sale" and accordingly carried at estimated fair value, with changes in the unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The amortized cost of debt securities 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. For mortgage-backed and other asset-backed securities, the term of the security is the expected life of the security given estimated paydowns. For other securities, the term of the security is the final maturity or the earliest call date, if applicable, except in the case of purchase discounts which are accreted to final maturity.

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.

Nonmarketable Equity Investments

The Company, as a member of the Federal Home Loan Bank system, is required to maintain an investment in the capital stock of the Federal Home Loan Bank of Dallas. This stock is not tradeable and may only be redeemed by the Federal Home Loan Bank at the par carrying amount. The Company also has other equity investments that have no active markets and no quoted market prices. For reporting purposes, such investments are carried at cost under the caption "nonmarketable equity investments" and periodically evaluated for impairment.

Loans Held for Sale and Gain on Sale of Loans

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated fair value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to earnings. Gains and losses on sales of loans are based on the difference between the selling price and the carrying value of the loans sold and are included as a component Mortgage Banking Income. The Company does not retain any servicing rights on mortgage loans sold.

From time to time the Company sells certain non-mortgage loans to other entities. The decision to sell is based on circumstances existing at the time of the decision, and at the time of the loan origination the intent to sell has not been determined. Accordingly, the Company has no non-mortgage loans classified as held for sale. In the event of a sale of non-mortgage loans, gain or loss is recorded based on the difference between the selling price and carrying value of the loans sold. The Company may retain servicing rights on non-mortgage loans sold, but has not recorded a servicing right asset on the basis of immateriality.

Loans

The Company grants real estate, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by various types of real estate secured loans in the Company's market areas. The ability of the Company's borrowers to honor their contracts is dependent upon the real estate and general economic conditions in these areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, deferred fees or costs on originated loans, and purchase discounts. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

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 the loan is 90 days past due 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 and those efforts are deemed likely to be successful. 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.

Purchased Loans

Loans acquired in the acquisition of the Bank by IBC in 2018 were recorded at the amount paid, such that there was no carryover of the seller's allowance for loan losses existing at the time of acquisition. Losses on purchased loans that are incurred subsequent to acquisition are recognized by a charge to the provision for loan losses.

Purchased loans are accounted for individually or aggregated into pools of loans based on common risk characteristics (e.g., loan type). The Company estimates the amount and timing of expected cash flows for each purchased loan or pool, and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan or pool (accretable yield). The excess of the loan's or pool's contractual principal and interest over expected cash flows is not recorded (non-accretable discount).

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses and is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, including those for loans charged-off by the Bank prior to the acquisition by IBC, 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, all accruing troubled debt restructurings, and all loans purchased at a discount as a result of deteriorated credit quality. 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 and impaired loans; levels and trends in charge-off and recovery activity; levels and trends of loan quality as determined by an internal loan grading system; 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 commercial and consumer portfolios include the strength of the real estate market and general economic activity in the Company's market areas. Although the economy in the Aurora, Boulder, Denver and Greenwood Village area is currently strong and diversified, the Company's other market areas are smaller with less robust economic activity.

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 quarterly by management. The ratings on the Company's internal credit scale 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, and are grouped as follows:

Pass - Loans with minimal to average identified credit risk. These loans have borrowers considered creditworthy who can repay the debt in the normal course of business. Borrowers have a sound primary and secondary repayment source, with sufficient cash generation to meet ongoing debt service requirements. Loans are typically fully secured with marketable, margined collateral.

Special mention - Loans with potential credit weaknesses which deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects or the Company's credit position at some future date. These loans exhibit characteristics such as declining or stressed financial condition of the borrower and declining or narrow collateral coverage.

Substandard - Loans inadequately protected by the current financial condition and paying capacity of the borrower or the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. These loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. In some instances, though not all, the weakness or weaknesses in these loans will necessitate nonaccrual treatment.

Doubtful - Loans in this category have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The probability of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the loans, classification as a loss is deferred until more exact status may be determined. Loans classified as doubtful necessitate nonaccrual treatment.

Loss - Loans considered loss are considered uncollectable and of such little value that their continuance as a bankable asset, even with a valuation allowance, is not warranted. This does not mean the loans have no recovery or salvage value, but rather it is not practical or desirable to defer a charge-off even though a partial recovery may be affected in the future. Loans classified as a loss are charged-off in the period they are deemed uncollectible.

Determination of the allowance is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. While management uses available information to recognize losses on loans, changes in economic conditions or borrower circumstances may necessitate revisions in future years. In addition, the Company's banking regulators, 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 and Equipment / Lease Liability

Land is carried at cost. Buildings, improvements, furniture and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets – generally 15 to 40 years for buildings and improvements, and 3 to 7 years for furniture and equipment. Maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

In 2020, the Company adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-02, *Leases (Topic 842*) and related guidance. As a result of adoption, the Company recorded a right-of-use asset for its leased premises and also recorded a corresponding lease liability. Rather than expense lease payments as they are made as previously done under operating lease guidance, the right-of-use asset is amortized to expense over the lease term, and lease payments reduce the lease obligation and also contain an interest component. The combination of amortization on the right-of-use-asset and interest on the lease obligation results in straight-line lease expense over the lease term. For leases with terms of under 12 months, no right of use asset or lease liability is recorded and rent expense is recorded when paid. Adoption of the standard did not have a significant effect on the Company's financial condition or results of operations.

The Company carries the right-of-use asset related to its leases as a component of Premises and Equipment, and the lease obligation is carried as a component of Accrued Expenses and Other Liabilities.

Real Estate Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value when acquired (less an estimate of cost to sell), establishing a new cost basis. If fair value declines subsequent to acquisition, a valuation allowance or write-down is recorded through earnings. Operating expenses relative to foreclosed real estate are expensed as incurred, while certain improvements may be capitalized if the expenditures are likely to be recaptured upon disposition of the real estate. Gain or loss on sale, if any, is recognized at the time of sale.

Intangible Assets

Core Deposit Intangible

The core deposit intangible resulted from IBC's acquisition of the Bank in 2018, and represents the excess of the fair value of deposits acquired over their book value at the time of acquisition. The core deposit intangible is amortized to expense over a ten year period using an accelerated method. In addition, the core deposit intangible is assessed at least annually for impairment, and any impairment losses are recognized in earnings in the period identified.

Goodwill

Goodwill resulted from IBC's acquisition of the Bank in 2018, and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment, and any impairment losses are recognized in earnings in the period identified.

Income Taxes

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 presumed to occur. Tax benefits recognized are the amount of the benefit that is greater than 50% likely of being realized upon examination. No tax benefits are recognized if they do not meet the "more likely than not" test.

The Company files a consolidated income tax return inclusive of IBC and the Bank; however, income tax expense is allocated to the entities on a separate return basis.

Comprehensive Income

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

Noninterest Income

Noninterest income, other than gains on sales of investment securities and non-mortgage loans, is substantially comprised of service charges on deposit accounts, ATM, debit and credit card income, and mortgage banking income. Service charges on deposit accounts consist of monthly account fees, stop payment charges, and charges for deposit items returned for non-sufficient funds or paid as an overdraft (net of fees waived or refunded). ATM, debit and credit card income is comprised of ATM charges for non-customer use of Company ATMs and card interchange income. Mortgage banking income is comprised of loan origination fees on loans sold, gain on sale of loans, and servicing fees on a legacy portfolio of sold loans. 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. Charges for deposit accounts continuously overdrawn are equivalent to interest and included as a component of interest and fees on loans.

Earnings Per Share

Basic earnings per share is computed by dividing net income or loss by the weighted average number of shares outstanding. Diluted earnings per share is calculated using the weighted average number of shares determined for basic earnings per share, plus the effect of dilutive instruments using the treasury stock method.

Stock-Based Compensation

The cost of stock-based compensation is the grant-date fair value of the instruments issued and is recorded as expense over the vesting period of the award. Forfeitures are accounted at the time they occur.

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.

The Company is exposed to credit risk on its off-balance sheet financial instruments. In conjunction with the determination of the allowance for loan losses, and using the same criteria, the Company estimates an allowance for probable incurred credit losses on off- balance sheet credit exposures. Provisions for the allowance are recorded as a component of other noninterest expense, and the allowance is carried as a component of other liabilities.

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 are currently any 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 Standard Updates Not Yet Effective

The Financial Accounting Standards Board issued 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 reasonable supportable expectations of future credit conditions. The standard will also require any securities held to maturity to be evaluated for impairment under an expected-loss model. In 2019, the Financial Accounting Standards Board delayed the required implementation date although early adoption is permitted, and the standard is effective for the Company beginning January 1, 2023. The Company is in the process of completing an evaluation of the impact of the new standard on its consolidated financial statements and accounting 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 are material and require recognition or disclosure in the financial statements. With respect to the December 31, 2021 financial statements, Management has considered subsequent events through March 18, 2022.

NOTE 2 – EARNINGS PER SHARE

Basic income per share of $0.36 for 2021 is based on net income of $2,749,000 and 7,722,849 weighted average shares outstanding during the year. Diluted income per share of $0.35 for 2021 is based on net income of $2,749,000 and 7,953,224 weighted average shares outstanding during the year.

Basic income per share of $0.18 for 2020 is based on net income of $1,277,000 and 7,114,301 weighted average shares outstanding during the year. Diluted income per share of $0.18 for 2020 is based on net income of $1,277,000 and 7,291,801 weighted average shares outstanding during the year.

NOTE 3 – INVESTMENT SECURITIES AT FAIR VALUE

At December 31, 2021 and 2020, investment securities at fair value is comprised entirely of common stock in Farmer Mac with a carrying value of $58,000 and $31,000, respectively. In 2020, management determined that this stock was not restricted, and accordingly reclassified it from nonmarketable securities to equity securities on the balance sheet pursuant to Accounting Standards Update 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The application of Accounting Standards Update 2016-01 also resulted in a $28,000 increase to retained earnings, which is the amount by which the fair value of the stock exceeded its cost basis as of the January 1, 2020 effective date of the application of Accounting Standards Update 2016-01. During 2021 and 2020, the fair value of the stock increased $27,000 and declined $4,000, respectively, and the change was recorded through Other Noninterest Income.

NOTE 4 - INVESTMENT SECURITIES AVAILABLE FOR SALE

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

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Debt securities				
Residential mortgage-backed	$ 86,034	$ 88	$ (1,301)	$ 84,821
Commercial mortgage-backed	41,590	423	(705)	41,308
Student loan pools	21,063	7	(73)	20,997
Corporate	15,593	193	(72)	15,714
State and municipal	63,876	3,591	(340)	67,127
	$ 228,156	$ 4,302	$ (2,491)	$ 229,967

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Debt securities				
Residential mortgage-backed	$ 25,803	$ 288	$ (26)	$ 26,065
Commercial mortgage-backed	16,559	1,338	(39)	17,858
Student loan pools	14,620	3	(99)	14,524
Corporate	10,261	46	(2)	10,305
State and municipal	55,196	4,237	(87)	59,346
	$ 122,439	$ 5,912	$ (253)	$ 128,098

Residential mortgage-backed securities are primarily comprised of U.S. agency mortgage-backed bonds and collateralized mortgage obligations ("CMOs") issued by Freddie Mac, Fannie Mae and Ginnie Mae, and also include $9,849,000 and $-0- of non-agency CMOs as of December 31, 2021 and 2020, respectively. At December 31, 2021, $4,949,000 of the non-agency CMOs are rated "AAA" by a nationally recognized statistical rating organization. Commercial mortgage-backed securities ("CMBS") are comprised of mortgage-back securities and CMOs issued by Fannie Mae and other non-agency issuers. The non-agency CMBS balances were $21,517,000 and $-0- as of December 31, 2021 and 2020, respectively, and are generally unrated. The student loan pools are issued by Sallie Mae and various organizations, and are all rated "Aa1" or better as of December 31, 2021 by a by a nationally recognized statistical rating organization. State and municipal securities are comprised of bonds issued by various states and municipalities; balances of $53,307,000 are rated "Aa2" or better as of December 31, 2021 by a nationally recognized statistical rating organization, and bonds with balances of $13,820,000 are unrated. Corporate securities are comprised entirely of subordinated debentures and other bonds issued by bank and financial holding companies, and are generally unrated.

The amortized cost and fair value of debt securities available for sale at December 31, 2021, by contractual maturity and by average life, are shown below. Expected maturities may differ from contractual maturities because obligors may have the right to call or prepay obligations, and for mortgage-backed and asset-backed securities the repayment of the securities occurs on a monthly basis based on the repayment of the loans underlying the securities:

	Contractual Maturity		Average Life	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)			
Due in one year or less	$ -	$ -	$ 1,151	$ 1,160
Due after one through five years	23,474	23,454	99,132	99,074
Due after five years through ten year	48,665	48,368	113,438	115,534
Due after ten years	156,017	158,145	14,435	14,199
	$ 228,156	$ 229,967	$ 228,156	$ 229,967

Information pertaining to securities available for sale, 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		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
	(dollars in thousands)					
Residential mortgage-backed	16	$ (1,020)	$ 72,357	4	$ (281)	$ 9,694
Commercial mortgage-backed	6	(416)	24,489	2	(289)	5,487
Student loan pools	3	(57)	8,991	1	(16)	4,817
Corporate	2	(13)	1,487	2	(59)	1,941
State and municipal	6	(16)	3,639	2	(324)	15,557
	33	$ (1,522)	$ 110,963	11	$ (969)	$ 37,496

	December 31, 2020					
	Less than 12 months			Over 12 months		
	Number of Securities	Gross Unrealized Losses	Fair Value	Number of Securities	Gross Unrealized Losses	Fair Value
	(dollars in thousands)					
Residential mortgage-backed	5	$ (26)	$ 14,253	-	$ -	$ -
Commercial mortgage-backed	1	(39)	2,070	-	-	-
Student loan pools	-	-	-	2	(99)	9,505
Corporate	2	(2)	3,498	-	-	-
State and municipal	3	(87)	11,891	-	-	-
	11	$ (154)	$ 31,712	2	$ (99)	$ 9,505

At December 31, 2021, no individual security has an unrealized loss of more than 5.36% of the amortized cost basis. 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 sufficient for recovery of cost, and fair value is expected to recover as bonds approach maturity. Accordingly, as of December 31, 2021, management believes the unrealized losses detailed in the table above are temporary.

The Company realized $133,000 in gains and no losses on sales and early redemptions of investment securities available for sale in 2021. The Company realized $1,630,000 in gains and no losses on sales and early redemptions of investment securities available for sale in 2020.

Investment securities with a fair value of $95,203,000 and $91,192,000 at December 31, 2021 and 2020, respectively, were pledged as collateral on public deposits, to secure borrowing facilities or for other purposes.

NOTE 5 – NONMARKETABLE EQUITY INVESTMENTS

Nonmarketable equity investments are comprised of the following:

	December 31,	
	2021	2020
	(in thousands)	
Federal Home Loan Bank of Dallas - common stock	$ 1,066	$ 201
Neat Capital - preferred stock	2,000	2,000
Investment in Lightspring Capital	441	100
	$ 3,507	$ 2,301

Neat Capital, Inc. ("Neat") is mortgage fintech headquartered in Boulder, Colorado. The Company has licensed Neat's mortgage lending platform and in 2020 began utilizing Neat for mortgage underwriting and other mortgage loan fulfillment services.

The investment in Lightspring Capital ("Lightspring") is a limited partnership investment in Lightspring Capital I, a partnership operating as a small business investment company under the SBIC Act. The Company has committed to invest $1,000,000 in Lightspring, with $559,000 of that commitment unfunded at December 31, 2021.

NOTE 6 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Major classifications of loans are as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Real Estate		
Commercial	$ 215,964	$ 182,188
Construction and land	59,495	35,878
Residential 1-4 family	51,495	39,013
Multifamily	5,276	12,919
Farmland	6,293	8,698
	338,523	278,696
Commercial - non real estate	72,150	45,636
Paycheck Protection Program	14,995	82,888
Agricultural production	2,947	2,624
Consumer and other	3,533	2,565
	432,148	412,409
Less net unearned loan fees	(865)	(1,543)
	$ 431,283	$ 410,866

Loans in the preceding table are net of purchase discounts. The following table presents the allocation of the purchase discounts to the Company's major loan segments, as well as activity in the discounts:

	Years Ended December 31, 2021 and 2020							
	Real Estate							
	Commercial	Construction and land	Residential 1-4 family	All other real estate	Commercial - non real estate	Paycheck Protection Program	All other non real estate	Total
	(in thousands)							
Balance at January 1, 2020	$ 4,017	$ 15	$ 489	$ -	$ 118	$ -	$ 217	$ 4,856
Reallocations	(250)	-	415	-	(115)	-	(50)	-
Accreted to interest income	(631)	(11)	(41)	-	-	-	-	(683)
Balance at December 31, 2020	3,136	4	863	-	3	-	167	4,173
Reallocations	349	-	(467)	-	118	-	-	-
Foreclosure transfers to real estate held for sale	(38)	-	(7)	-	-	-	-	(45)
Accreted to interest income	(647)	(4)	(27)	-	(3)		-	(681)
Balance at December 31, 2021	$ 2,800	$ -	$ 362	$ -	$ 118	$ -	$ 167	$ 3,447

As of December 31, 2021, the Company estimates that $2,171,000 of the discount will be accreted to interest income over the next three years. Estimates of discount accretion can change significantly in the near term based on changes in borrower circumstances and credit conditions.

In the ordinary course of business, the Company may grant loans to its executive officers, significant shareholders, directors, and parties affiliated with those persons (collectively, "related parties"). At December 31, 2021, the Company has $16,000 in loan commitments and $1,000 in outstanding loans to related parties. At December 31, 2020, the Company has $10,000 in loan commitments and $1,000 in outstanding loans to related parties.

At December 31, 2021 and 2020, various real estate, commercial non real estate and agricultural production loans totaling $394,962,000 and $284,225,000, respectively, are pledged to secure borrowing facilities at the Federal Home Loan Bank of Dallas under a blanket lien agreement. At December 31, 2021 and 2020, respectively, Paycheck Protection Program Loans of $-0- and $39,534,000 are pledged to secure borrowings from the Federal Reserve.

Transactions in the allowance for loan losses are as follows:

	Years Ended December 31, 2021 and 2020							
	Real Estate							
	Commercial	Construction and land	Residential 1-4 family	All other real estate	Commercial - non real estate	Paycheck Protection Program	All other non real estate	Total
	(in thousands)							
Balance at January 1, 2020	$ 294	$ 45	$ 270	$ 166	$ 151	$ -	$ 45	$ 971
Provision for loan losses	676	81	308	(26)	98	-	5	1,142
(Charge-offs)	-	-	(24)	-	-	-	-	(24)
Recoveries	-	-	-	-	62	-	-	62
Net (charge-offs) recoveries	-	-	(24)	-	62	-	-	38
Balance at December 31, 2020	970	126	554	140	311	-	50	2,151
Provision (credit) for loan losses	552	294	49	(84)	286	-	22	1,119
(Charge-offs)	-	-	(4)	-	-	-	-	(4)
Recoveries	-	-	-	-	108	-	-	108
Net (charge-offs) recoveries	-	-	(4)	-	108	-	-	104
Balance at December 31, 2021	$ 1,522	$ 420	$ 599	$ 56	$ 705	$ -	$ 72	$ 3,374

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							
	Real Estate							
	Commercial	Construction and land	Residential 1-4 family	All other real estate	Commercial - non real estate	Paycheck Protection Program	All other non real estate	Total
	(in thousands)							
Allocation of Allowance to:								
Impaired loans - evaluated individually	$ 20	$ -	$ 164	$ -	$ 25	$ -	$ 14	$ 223
Impaired loans - evaluated collectively	-	-	-	-	-	-	-	-
Total impaired loans	20	-	164	-	25	-	14	223
Unimpaired loans - evaluated collectively	1,502	420	435	56	680	-	58	3,151
	$ 1,522	$ 420	$ 599	$ 56	$ 705	$ -	$ 72	$ 3,374
Portion of allowance on impaired loans allocated to loans acquired with deteriorated credit quality included in impaired loans	$ 20	$ -	$ 20	$ -	$ -	$ -	$ -	$ 40
Recorded Investment In:								
Impaired loans - evaluated individually	$ 2,583	$ -	$ 1,891	$ -	$ 637	$ -	$ 357	$ 5,468
Impaired loans - evaluated collectively	-	-	-	-	-	-	-	-
Total impaired loans	2,583	-	1,891	-	637	-	357	5,468
Unimpaired loans - evaluated collectively	213,381	59,495	49,604	11,569	71,513	14,995	6,123	426,680
	$ 215,964	$ 59,495	$ 51,495	$ 11,569	$ 72,150	$ 14,995	$ 6,480	$ 432,148
Loans acquired with deteriorated credit quality included in impaired loans	$ 2,091	$ -	$ 558	$ -	$ 89	$ -	$ 311	$ 3,049

	December 31, 2020							
	Real Estate							
	Commercial	Construction and land	Residential 1-4 family	All other real estate	Commercial - non real estate	Paycheck Protection Program	All other non real estate	Total
	(in thousands)							
Allocation of Allowance to:								
Impaired loans - evaluated individually	$ 25	$ -	$ 176	$ -	$ 4	$ -	$ -	$ 205
Impaired loans - evaluated collectively	-	-	-	-	-	-	-	-
Total impaired loans	25	-	176	-	4	-	-	205
Unimpaired loans - evaluated collectively	945	126	378	140	307	-	50	1,946
	$ 970	$ 126	$ 554	$ 140	$ 311	$ -	$ 50	$ 2,151
Portion of allowance on impaired loans allocated to loans acquired with deteriorated credit quality included in impaired loans	$ 5	$ -	$ 75	$ -	$ 4	$ -	$ -	$ 84
Recorded Investment In:								
Impaired loans - evaluated individually	$ 2,401	$ -	$ 2,256	$ 911	$ 727	$ -	$ 688	$ 6,983
Impaired loans - evaluated collectively	-	-	-	-	-	-	-	-
Total impaired loans	2,401	-	2,256	911	727	-	688	6,983
Unimpaired loans - evaluated collectively	179,787	35,878	36,757	20,706	44,909	82,888	4,501	405,426
	$ 182,188	$ 35,878	$ 39,013	$ 21,617	$ 45,636	$ 82,888	$ 5,189	$ 412,409
Loans acquired with deteriorated credit quality included in impaired loans	$ 1,632	$ -	$ 1,520	$ -	$ 9	$ -	$ 340	$ 3,501

Information relative to impaired loans is as follows:

	December 31, 2021					
	Recorded investment in impaired loans with no valuation allowance	Recorded investment in impaired loans with a valuation allowance	Total recorded investment in impaired loans	Valuation allowance on impaired loans	Net carrying amount of impaired loans	Average total recorded investment in impaired loans during the year
	(in thousands)					
Real Estate						
Commercial	$ 2,424	$ 159	$ 2,583	$ 20	$ 2,563	$ 2,492
Construction and land	-	-	-	-	-	-
Residential 1-4 family	1,482	409	1,891	164	1,727	2,074
Multifamily	-	-	-	-	-	-
Farmland	-	-	-	-	-	456
Commercial - non real estate	535	102	637	25	612	682
Paycheck Protection Program	-	-	-	-	-	-
Agricultural production	311	-	311	-	311	324
Consumer and other	28	18	46	14	32	199
	$ 4,780	$ 688	$ 5,468	$ 223	$ 5,245	$ 6,227

	December 31, 2020					
	Recorded investment in impaired loans with no valuation allowance	Recorded investment in impaired loans with a valuation allowance	Total recorded investment in impaired loans	Valuation allowance on impaired loans	Net carrying amount of impaired loans	Average total recorded investment in impaired loans during the year
	(in thousands)					
Real Estate						
Commercial	$ 2,343	$ 58	$ 2,401	$ 25	$ 2,376	$ 1,958
Construction and land	-	-	-	-	-	203
Residential 1-4 family	1,643	613	2,256	176	2,080	1,954
Multifamily	-	-	-	-	-	-
Farmland	911	-	911	-	911	1,348
Commercial - non real estate	723	4	727	4	723	884
Paycheck Protection Program	-	-	-	-	-	-
Agricultural production	336	-	336	-	336	309
Consumer and other	352	-	352	-	352	180
	$ 6,308	$ 675	$ 6,983	$ 205	$ 6,778	$ 6,836

Interest income recognized on impaired loans in 2021 and 2020 is approximately $643,000 and $598,000, respectively, excluding accretion of purchase discounts. Commitments to extend credit on impaired loans total $5,000 and $-0- at December 31, 2021 and 2020, respectively. At December 31, 2021, there are no loans in the process of foreclosure.

Information related to troubled debt restructurings (TDRs) included in impaired loans are as follows:

	December 31, 2021				
	Nonaccrual TDRs	Accruing TDRs	Total TDRs	Valuation allowance on TDRs	Net carrying amount of TDRs
	(in thousands)				
Real Estate					
Commercial	$ -	$ 2,370	$ 2,370	$ 20	$ 2,350
Construction and land	-	-	-	-	-
Residential 1-4 family	136	1,187	1,323	131	1,192
Multifamily	-	-	-	-	-
Farmland	-	-	-	-	-
Commercial - non real estate	-	548	548	-	548
Paycheck Protection Program	-	-	-	-	-
Agricultural production	-	311	311	-	311
Consumer and other	-	46	46	14	32
	$ 136	$ 4,462	$ 4,598	$ 165	$ 4,433

	December 31, 2020				
	Nonaccrual TDRs	Accruing TDRs	Total TDRs	Valuation allowance on TDRs	Net carrying amount of TDRs
	(in thousands)				
Real Estate					
Commercial	$ -	$ 1,758	$ 1,758	$ 20	$ 1,738
Construction and land	-	-	-	-	-
Residential 1-4 family	102	1,046	1,148	88	1,060
Multifamily	-	-	-	-	-
Farmland	-	862	862	-	862
Commercial - non real estate	-	718	718	-	718
Paycheck Protection Program	-	-	-	-	-
Agricultural production	-	336	336	-	336
Consumer and other	-	348	348	-	348
	$ 102	$ 5,068	$ 5,170	$ 108	$ 5,062

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

	December 31, 2021				
	Loans By Past Due and Performance Status				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
	(in thousands)				
Real Estate					
Commercial	$ 215,437	$ 527	$ -	$ -	$215,964
Construction and land	59,495	-	-	-	59,495
Residential 1-4 family	46,776	4,517	-	202	51,495
Multifamily	5,276	-	-	-	5,276
Farmland	6,293	-	-	-	6,293
Commercial - non real estate	72,150	-	-	-	72,150
Paycheck Protection Program	14,685	-	310	-	14,995
Agricultural production	2,947	-	-	-	2,947
Consumer and other	3,532	1	-	-	3,533
	$ 426,591	$ 5,045	$ 310	$ 202	$432,148

	December 31, 2020				
	Loans By Past Due and Performance Status				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
	(in thousands)				
Real Estate					
Commercial	$ 181,813	$ -	$ -	$ 375	$182,188
Construction and land	35,878	-	-	-	35,878
Residential 1-4 family	38,082	422	-	509	39,013
Multifamily	12,919	-	-	-	12,919
Farmland	8,649	-	-	49	8,698
Commercial - non real estate	45,632	-	-	4	45,636
Paycheck Protection Program	82,888	-	-	-	82,888
Agricultural production	2,624	-	-	-	2,624
Consumer and other	2,538	2	25	-	2,565
	$ 411,023	$ 424	$ 25	$ 937	$412,409

	December 31, 2021				
	Credit Rating				
	Pass	Special Mention	Substandard	Doubtful	Total loans
	(in thousands)				
Real Estate					
Commercial	$ 212,829	$ 901	$ 2,234	$ -	$ 215,964
Construction and land	59,495	-	-	-	59,495
Residential 1-4 family	45,444	4,892	1,159	-	51,495
Multifamily	5,276	-	-	-	5,276
Farmland	6,293	-	-	-	6,293
Commercial - non real estate	70,307	1,103	740	-	72,150
Paycheck Protection Program	14,995	-	-	-	14,995
Agricultural production	2,636	-	311	-	2,947
Consumer and other	3,487	-	46	-	3,533
	$ 420,762	$ 6,896	$ 4,490	$ -	$ 432,148

	December 31, 2020				
	Credit Rating				
	Pass	Special Mention	Substandard	Doubtful	Total loans
	(in thousands)				
Real Estate					
Commercial	$ 176,533	$ 924	$ 4,731	$ -	$ 182,188
Construction and land	35,878	-	-	-	35,878
Residential 1-4 family	35,764	1,200	2,049	-	39,013
Multifamily	12,919	-	-	-	12,919
Farmland	7,741	49	908	-	8,698
Commercial - non real estate	44,619	889	128	-	45,636
Paycheck Protection Program	82,888	-	-	-	82,888
Agricultural production	2,288	-	336	-	2,624
Consumer and other	2,471	3	91	-	2,565
	$ 401,101	$ 3,065	$ 8,243	$ -	$ 412,409

NOTE 7 - PREMISES AND EQUIPMENT / LEASE LIABILITY

Premises and equipment are as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Land	$ 1,730	$ 1,955
Buildings and improvements	3,829	3,732
Furniture and equipment	1,574	1,572
Leased premises - right of use asset	1,460	1,460
Construction in process	-	41
	8,593	8,760
Less accumulated depreciation and amortization	(1,910)	(1,325)
	$ 6,683	$ 7,435

In 2021, the Company entered into a one-year lease agreement for its Boulder loan production office. In 2019, the Company entered into a ten-year lease agreement for its Greenwood Village branch and a three-year lease agreement for its Denver loan production office. Total rent expense under these leases in 2021 and 2020 was $315,000 and $266,000, respectively, which includes base rent and the Company's share of the lessors' variable operating costs. Future annual base rent commitments under these leases, excluding costs for optional renewal periods available at expiration, are as follows as of December 31, 2021:

Year ending December 31,	(in thousands)
2022	$ 219
2023	147
2024	150
2025	165
2026	165
Thereafter	467
	$ 1,313

The Company's lease liability related to the right of use asset at December 31, 2021 and 2020 is $1,188,000 and $1,317,000, respectively, and is included as a component of Accrued Expenses and Other Liabilities.

NOTE 8 – REAL ESTATE HELD FOR SALE

Activity in real estate held for sale is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
	(in thousands)	
Balance, beginning of year	$ 778	$ 2,477
Transfers from loans	261	169
Write-downs	(30)	-
Dispositions during the year	(573)	(1,868)
Balance, end of year	$ 436	$ 778

Real estate held for sale by property type is as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Commercial real estate	$ 200	$ 520
Other	236	258
	$ 436	$ 778

Net expense from real estate held for sale is as follows, which is included as component of Other Noninterest Expense:

	Year ended December 31, 2021	Year ended December 31, 2020
	(in thousands)	
Gain (loss) on current year sales	$ (67)	$ 11
Write-downs	(30)	-
Operating income	-	27
Operating expense	(40)	(37)
Net income (expense)	$ (137)	$ 1

NOTE 9 – INTANGIBLE ASSETS

Intangible assets are as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Goodwill	$ 7,944	$ 7,944
Core deposit intangible	4,520	4,520
Less accumulated amortization	(2,506)	(1,890)
Core deposit intangible, net	2,014	2,630
	$ 9,958	$ 10,574

Future annual amortization of the core deposit intangible asset is as follows at December 31, 2021:

Year Ending December 31,	(in thousands)
2022	$ 534
2023	452
2024	370
2025	288
2026	205
Thereafter	165
	$ 2,014

NOTE 10 - DEPOSITS

Deposits are comprised of the following:

	December 31, 2021	December 31, 2020
	(in thousands)	
Noninterest-bearing	$ 255,591	$ 171,191
Interest-bearing checking and NOW accounts	52,682	49,912
Money market accounts	192,636	129,354
Savings accounts	42,166	34,648
Time certificates of deposit	84,675	96,466
Total deposits	$ 627,750	$ 481,571
Time deposits more than $250,000	$ 16,444	$ 10,753
Non-maturity deposits more than $250,000	375,200	253,226
Total deposits more than $250,000	$ 391,644	$ 263,979

Annual maturities of time deposits at December 31, 2021 are as follows:

Year Ending December 31,	(in thousands)
2022	$ 69,748
2023	9,923
2024	2,632
2025	966
2026	1,406
	$ 84,675

In the ordinary course of business, the Company may accept deposits from its executive officers, significant shareholders, directors, and parties affiliated with those persons (collectively, "related parties"). At December 31, 2021 and 2020, the Company has approximately $28,819,000 and $35,357,000, respectively, in deposits from related parties.

NOTE 11 –FEDERAL FUNDS PURCHASED, REPURCHASE AGREEMENTS AND OTHER SHORT-TERM BORROWINGS

Federal funds purchased, repurchase agreements and other short-term borrowings are as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Repurchase agreements	$ 11,897	$ 6,707
Federal Reserve short-term borrowings	-	39,534
	$ 11,897	$ 46,241

Repurchase Agreements

The Company sells certain investment securities under agreements to repurchase. The agreements are treated as collateralized financing transactions and the obligations to repurchase securities sold are recorded as a liability at the amount of cash received in connection with the transaction, and the dollar amount of the securities underlying the agreements remains in the asset accounts. Repurchase agreements typically mature on an overnight basis through one year. The Company may be required to provide additional collateral based on the fair value of the underlying securities. Repurchase agreements may bear interest at fixed or variable rates depending on the particular agreements established.

Federal Reserve Short-Term Borrowings

At December 31, 2021 and 2020, the Company has $-0- and $39,534,000, respectively, in outstanding borrowings from the Federal Reserve under the Paycheck Protection Program Liquidity Facility (“PPPLF”). The borrowings consist of series of advances that are secured by Paycheck Protection Program loans made by the Company. Interest on the advances accrues at a fixed rate 0.35% and is due monthly. The Company has no future plans to borrow under the PPPLF.

Federal Home Loan Bank Short-Term Borrowings

The Company is eligible to borrow from the Federal Home Loan Bank of Dallas on both a short-term and long-term basis, with a maximum credit limit of $135,922,000 at December 31, 2021. Federal Home Loan Bank borrowings are secured by a blanket pledge of certain loans. At December 31, 2021 and 2020, there are no outstanding Federal Home Loan Bank borrowings.

Federal Funds Purchased

The Company has an unsecured federal funds line at another correspondent bank with a maximum credit limit of $16,050,000 at December 31, 2021. The federal funds line is uncommitted, and funding requests made by the Company are subject to the lending institution’s approval and funding availability at the time of request. Federal funds bear interest at variable daily rates established by the correspondent.

NOTE 12 –SUBORDINATED DEBENTURES

The Company has a statutory business trust (the Trust) created for the purpose of providing trust preferred financing, which it acquired during the 2018 acquisition. In trust preferred financing, the Trust issues preferred securities to investors and common securities to the Company, and the Trust invests the proceeds in junior subordinated debentures issued by the Company. The Company is not considered the primary beneficiary of this Trust (variable interest entity), therefore the Trust is not consolidated in the Company's financial statements, but rather the Company reports the $5,160,000 of subordinated debentures payable to the Trust as a liability and the $160,000 of common securities as an asset. Interest expense from the debentures and interest income from the common securities is recorded in the consolidated statements of income.

The subordinated debentures, preferred and common securities have a variable interest rate equal to three-month LIBOR plus to 2.90%, which was 3.0315% as of December 31,2021, and adjusts quarterly. Interest payments on the debentures by the Company, and distributions on the common securities and the preferred securities by the Trust, are coterminous and payable quarterly in arrears. However, the Company has a continual right, subject to events of default, to defer payment of interest on the debentures. The deferral period may not exceed five consecutive years or extend beyond the maturity date of the debentures. In the event of deferral, interest payments on the debentures and distributions on the common securities and preferred securities are cumulative.

The debentures mature in 2033; however, the Company may redeem the debentures at any time. The common securities and preferred securities are subject to mandatory redemption upon repayment of the debentures. The Company also has the right to terminate the Trust and cause the debentures to be distributed to the holders of the common securities and preferred securities in liquidation of the Trust. Regulatory approval may be required for early redemption or liquidation. The Company guarantees payments on the preferred securities, but only to the extent the Trust has sufficient funds on hand to make such payments. The Trust's sole source of income is interest from the debentures. In accordance with current tax law and banking regulations, interest expense on the debentures is tax deductible and the debentures qualify as capital for regulatory purposes.

An acquisition discount of $343,000 is amortized to interest expense using the straight-line method over the remaining term of the debentures. Amortization in 2021 and 2020 was $22,000 and $23,000, respectively.

Additionally, the Company has $20,000,000 of fixed-to-floating rate subordinated notes due 2031, which it issued on October 1, 2021. The notes will mature on October 31, 2031 and will initially bear interest at a rate equal to 3.75% per annum from and including October 1, 2021 to, but excluding, October 31, 2026, payable quarterly in arrears. Thereafter, the notes will bear interest at a floating rate per annum equal to a benchmark rate, which is expected to be Three-Month Term Secured Overnight Financing Rate, plus a spread of 293 basis points, payable quarterly in arrears. After five years, the Company at its option may redeem the notes in whole or in part, on any interest payment date, at an amount equal to one hundred percent (100%) of the outstanding principal amount being redeemed plus accrued but unpaid interest, to but excluding the redemption date. The notes are intended to qualify as capital for regulatory purposes.

Offering costs on the subordinated notes of $464,000 are recorded as a discount and are amortized to interest expense using the straight-line method over the five-year redemption period. Amortization in 2021 was $22,000.

The following summarizes the Company's subordinated debentures:

	December 31, 2021	December 31, 2020
	(in thousands)	
Contractual balance of debentures payable to Trust	$ 5,160	$ 5,160
Less unamortized purchase discount	(264)	(286)
Carrying amount	4,896	4,874
Contractual balance of subordinated notes	20,000	-
Less unamortized offering costs	(442)	-
Carrying amount	19,558	-
Total subordinated debentures	$ 24,454	$ 4,874
Common securites, included in other assets	$ 160	$ 160

NOTE 13 – INCOME TAXES

The Company's income tax expense/benefit is comprised of the following:

	Years Ended December 31, 2021	Years Ended December 31, 2020
	(in thousands)	
Current federal expense	$ 242	$ -
Current state expense	174	37
Total current expense	416	37
Deferred federal expense	326	259
Deferred state expense	3	70
Total deferred expense	329	329
Total tax expense	$ 745	$ 366

The following table reconciles the Company's income tax expense/benefit at the statutory federal rate to the expense/benefit amount recorded in the consolidated financial statements:

	Years Ended December 31, 2021	Years Ended December 31, 2020
	(in thousands)	
Taxes at statutory 21% federal rate	$ 734	$ 345
Increase (decrease) in tax resulting from:		
Nontaxable municipal interest income	(274)	(184)
Nondeductible stock-based compensation	67	82
Other nondeductible expenses	78	24
State income taxes, net of federal effect	140	99
Income tax expense	$ 745	$ 366

The Company's net deferred tax asset is comprised of the following:

	December 31, 2021	December 31, 2020
	(in thousands)	
Deferred tax assets		
Loan purchase discount	$ 848	$ 1,041
Allowance for loan losses	833	540
Real estate held for sale	81	227
Charitable contribution carryforwards	43	128
Federal net operating loss carryforwards	-	349
Stock-based compensation	212	302
Other	89	100
Total deferred tax assets	2,106	2,687
Deferred tax liabilities		
Core deposit intangible	(495)	(656)
Purchase discount on subordinated debentures	(65)	(71)
Premises and equipment	(83)	(174)
Federal Home Loan Bank stock	(3)	(3)
Net unrealized gain on investment securities at fair value	(12)	(6)
Net unrealized gain on securities available for sale	(462)	(1,444)
Total deferred tax liabilities	(1,120)	(2,354)
Net deferred tax asset	$ 986	$ 333

At December 31, 2021, the Company has no federal net operating loss carryforwards available to offset future federal taxable income. The Company utilized $1,659,000 and $2,542,000 of federal net operating loss carryforwards available in 2021 and 2020, respectively.

At December 31, 2021, the Company has approximately $421,000 of New Mexico net operating loss carryforwards available to offset future New Mexico taxable income. The New Mexico net operating loss carryforwards expire in years 2033-2039 if they are not utilized. Approximately $205,000 and $3,531,000 of New Mexico net operating loss carryforwards were utilized in 2021 and 2020, respectively.

At December 31, 2021 the Company has no Colorado net operating loss carryforwards. All $2,089,000 of Colorado net operating loss carryforwards available were utilized in 2020.

NOTE 14 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company's Board of Directors has the continual authority to create one or more series of preferred stock from the 1,000,000 authorized shares, including designations, powers, preferences, rights, qualifications, limitations and restrictions. This includes voting rights, dividend and conversion rates, redemption prices and liquidation preferences. No preferred stock was issued or outstanding in 2021 and 2020.

Non-Voting Common Stock

The Company's Board of Directors has the continual authority to create one or more series of non-voting common stock from the 20,000,000 authorized shares, including designations, powers, preferences, rights, qualifications, limitations and restrictions. This includes voting rights, dividend and conversion rates, redemption prices and liquidation preferences.

In 2018, the Company designated 3,000,000 shares of non-voting common stock as Series A Non-Voting Common Stock, ranking *pari-passu* with voting common stock with respect to dividends and liquidation. The Series A Non-Voting Common Stock is convertible into voting common stock at any time or from time to time, at the direction of either the holder or the Company, provided that the holder will not own or control in the aggregate more than 9.9% of the voting common stock or of any class of voting securities issued by the Company. In the event of a voting common stock split or reverse-split, or similar reclassification or substitution of share class, the Series A Non-Voting Common Stock and/or conversion terms will be adjusted proportionately. During 2021 and 2020, only Series A Non-Voting Common Stock was issued and outstanding. The Company is required to maintain at all times a sufficient number of authorized but unissued shares of voting common stock to affect the conversion of all outstanding Series A Non-Voting Common Stock.

In 2021, the Company converted 211,000 shares from Series A Non-Voting Common Stock to voting common stock, which leaves 1,785,500 shares of non-voting common stock outstanding as of December 31, 2021.

Restricted Stock

In 2018, the Company issued 150,000 shares of restricted voting common stock to certain executives and directors of the Company ("Founder Shares"), of which 7,500 were later forfeited in 2018. The shares originally vested in one-third annual installments on the first through third anniversary following the date of grant; however, in 2020 the awards were modified to vest the last one-third of shares over a two-year period ending in 2022. Unvested shares are forfeited in the event a grantee ceases to be an employee or director of the Company, subject to certain exceptions for termination by the Company without cause (as defined in the award agreements) or for death of the executive or director. For vested shares, the Company has the right but not the obligation to repurchase the shares at fair value if the executive or director ceases to be an employee or director of the Company for any reason. Unvested shares may not be transferred, pledged or assigned by the holder, and the Company has the right of first refusal on transfers of vested shares. Holders of restricted stock are entitled to all rights of voting common stock, including rights to dividends and voting rights, only to the extent the shares are vested or the executive or director have made certain tax elections with respect to the shares.

At December 31, 2021, there are 132,500 Founder Shares outstanding of which 110,417 are vested and 130,833 have voting and dividend rights. The Company repurchased 10,000 shares for $82,000 from an executive during 2021. At December 31, 2020, there are 142,500 Founder Shares outstanding of which 95,000 are vested and 139,166 have voting and dividend rights. Compensation cost attributable to Founder Shares for the years ended December 31, 2021 and 2020 was $186,000 and $416,000, respectively, with the grant-date fair value of the awards determined using the $10.00 per share price of stock from the 2018 stock offering. Future compensation expense attributable to Founder Shares is $110,000 presuming no shares are forfeited, and is recognizable in 2022.

Restrictions on Dividends

Various restrictions limit the extent to which dividends may be paid by the Bank to IBC. Generally, regulatory approval is required for the Bank to pay dividends in any calendar year that exceed the Bank's net profit for that year combined with its retained profits for the preceding two years. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements. No dividends were paid by the Bank to IBC in 2021 and 2020.

NOTE 15 – 401(k) and EMPLOYEE STOCK OWNERSHIP PLAN

The Company provides the InBank 401(k) and ESOP Retirement Plan ("Plan") which is intended to be a 401(k) and profit sharing, stock bonus and employee stock ownership plan. Employees may participate in the Plan after meeting certain minimum service requirements. The Plan allows employees to make salary deferrals subject to certain limitations based on federal tax law, and requires the Company to make safe-harbor matching contributions equal to 100% of the first 3% of salary deferrals, and 50% of the next 3% of salary deferrals.

The Plan also allows the Company to make discretionary profit-sharing and ESOP contributions. Employees are immediately 100% vested in the Company's safe harbor matching contributions, while other Company contributions vest to participants pro-rata over a four-year period. Safe harbor matching contributions are made in cash, while other Company contributions may be in cash or Company stock. For 2021 and 2020, expense attributable to the plan totaled $410,000 and $336,000, respectively. In 2021, there were no shares sold to the plan or repurchased from the Plan. In 2020, the Company sold 18,946 shares to the Plan and repurchased 2,080 shares from the Plan.

NOTE 16 – EQUITY INCENTIVE PLAN AND STOCK-BASED COMPENSATION

The Company's 2018 Equity Incentive Plan ("Plan") allows for the Board of Directors or a designated committee of the Board to grant stock options, restricted stock, restricted stock units ("RSUs"), and other equity awards to selected employees, non-employee directors, and certain other individuals. The nature of awards - including Plan participants, terms, conditions and timing - are at the discretion of the Board or its designated committee, subject to certain limitations specified in the Plan. The maximum number of shares that may be awarded under the Plan is 690,000, subject to proportional adjustments for stock splits, reverse-splits and similar substitutions or reclassifications in capitalization. Additionally, subject to certain limitations in the Plan, awards previously granted that expire unexercised or are forfeited are again available for issuance under the Plan. All equity awards issued pursuant to the Plan are subject to certain restrictions on transferability set forth in Plan, and are also subject to certain claw-back provisions for detrimental activity as set forth and defined in the Plan The Plan automatically terminates in August, 2028, unless sooner terminated by the Board.

<u>Director Stock-Based Compensation</u>

Prior to May 2021, Directors could elect to receive certain of their director fees in voting common stock, with the value of shares issued equal to the fee amount. Additionally, all directors received an annual award payable in voting common stock, with the value of shares issued equal to the award amount. In 2021 and 2020, the Company accrued $60,000 and $143,000, respectively, in stock-based compensation expense attributable to this director compensation. Prior to the change, the Company's practice was to issue shares for director compensation based on a twelve-month cycle ending in March, with the underlying expense recorded monthly as services are performed. In 2021, the Company issued 21,742 shares for director compensation. In 2020, the Company issued 16,250 shares for director compensation.

Beginning in May 2021, the Company determined to compensate the directors for the stock-based portion of their compensation by awarding them RSUs granted at the annual election of directors (typically in May), that cliff vest over a one-year period corresponding with the director's annual term.

<u>Restricted Stock Units</u>

As of December 31, 2021, the Company has only RSUs outstanding under the Plan. For directors, the RSUs cliff vest one year from the date of the grant, at which time the shares will be issued. For employees, the vesting terms vary: RSUs vest over three to five years from the date of grant, and either cliff vest or vest annually using a straight-line method, at which time the shares will be issued.

Expense attributable to the RSUs portion of the Plan for 2021 and 2020 was $485,000 and $520,000, respectively, with the grant-date fair value of the awards determined from stock offering or appraised prices, as applicable to the times at which awards were granted.

The following presents information related to RSU activity in the Plan:

	Number of Shares	Weighted average grant date fair value per share
RSUs outstanding, January 1, 2020	180,000	
Granted to employees	6,000	$ 8.00
Vested, gross of witholding	-	
Forfeited	(8,500)	
RSUs outstanding, December 31, 2020	177,500	
Granted to employees	113,500	$ 8.20
Granted to directors	31,094	$ 8.20
Vested, gross of witholding	(69,000)	
Forfeited	(22,000)	
RSUs outstanding, December 31, 2021	231,094	
RSUs vested, December 31, 2021	-	
Total shares available for issuance under the Plan at December 31, 2021	323,414	

At December 31, 2021 future compensation expense attributable to the outstanding RSUs granted under the Plan is $1,348,000 presuming no shares are forfeited, and is recognizable in years 2022 through 2026.

NOTE 17 - 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 letters of credit. The instruments involve, to varying degrees, 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 standby letters of credit is represented by the contractual amounts 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 breach 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 of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment and real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The following financial instruments were outstanding whose contract amounts represent risk:

	December 31, 2021	December 31, 2020
	(in thousands)	
Commitments to extend credit	$ 154,707	$ 106,916
Standby letters of credit	689	1,655
	$ 155,396	$ 108,571

At both December 31, 2021 and 2020, the Company has a $14,000 allowance for credit losses on unfunded loan commitments included as a component of other liabilities. There was no provision for credit losses on unfunded loan commitments in 2021 or 2020.

NOTE 18 - REGULATORY MATTERS

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.

Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the Bank to maintain minimum amounts and ratios 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 7.0%). 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 Bank's regulatory capital is comprised of the following: 1) Common equity tier 1 capital – consisting of common stock, paid-in-capital and retained earnings, less certain disallowed intangible assets and deferred tax assets; 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 following table presents the Bank's actual and required capital ratios as of December 31, 2021 and 2020 under the Basel III Capital Rules. Capital levels required to be considered well capitalized under prompt corrective action regulations, as amended to reflect changes under the Basel III Capital Rules, are also presented:

	Actual		Minimum required for capital adequacy purposes - Basel III		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)	$ 70,226	12.95%	$ 56,959	10.50%	$ 54,247	10.00%
Tier 1 capital (to risk weighted assets)	66,839	12.32%	46,110	8.50%	43,397	8.00%
Common equity tier 1 capital (to risk weighted assets)	66,839	12.32%	37,973	7.00%	35,260	6.50%
Tier 1 capital (to average assets)	66,839	9.13%	29,271	4.00%	36,589	5.00%
As of December 31, 2020						
Total capital (to risk weighted assets)	$ 53,951	12.03%	$ 47,078	10.50%	$ 44,836	10.00%
Tier 1 capital (to risk weighted assets)	51,786	11.55%	38,111	8.50%	35,869	8.00%
Common equity tier 1 capital (to risk weighted assets)	51,786	11.55%	31,385	7.00%	29,144	6.50%
Tier 1 capital (to average assets)	51,786	9.30%	22,284	4.00%	27,854	5.00%

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 consolidated 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 19 – FAIR VALUE MEASUREMENTS

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

Investment Securities – Securities are reported at fair value based upon measurements obtained from an independent pricing service. The fair value measurements for 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 securities' terms and conditions, among other things (Level 2).

Loans Held for Sale – The Company does not record loans held for sale at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect declines in value based on commitments in hand from investors or prevailing investor yield requirements (Level 2).

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).

Real Estate Held for Sale - The Company does not record properties at fair value on a recurring basis. However, from time to time, valuation allowances are recorded on these properties to reflect the current appraised value of the properties. 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 properties are obtained from independent appraisers or other third-party consultants (Level 3).

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

	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
	(in thousands)			
December 31, 2021				
Investment Securities at Fair Value				
Farmer Mac common stock	$ 58	$ -	$ -	$ 58
Debt Securities Available for Sale				
Residential mortgage-backed	$ -	$ 84,821	$ -	$ 84,821
Commercial mortgage-backed	-	41,308	-	41,308
Student loan pools	-	20,997	-	20,997
Corporate	-	13,601	2,113	15,714
State and municipal	-	67,127	-	67,127
	$ -	$ 227,854	$ 2,113	$ 229,967
December 31, 2020				
Investment Securities at Fair Value				
Farmer Mac common stock	$ 31	$ -	$ -	$ 31
Debt Securities Available for Sale				
Residential mortgage-backed	$ -	$ 26,065	$ -	$ 26,065
Commercial mortgage-backed	-	17,858	-	17,858
Student loan pools	-	14,524	-	14,524
Corporate	-	10,305	-	10,305
State and municipal	-	59,346	-	59,346
	$ -	$ 128,098	$ -	$ 128,098

All Level 3 assets in the table above were acquired during 2021, and there were no changes or amounts in Level 3 assets or liabilities recorded at fair value on a recurring basis in 2021 or 2020, other than these additions.

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

	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
	(in thousands)			
December 31, 2021				
Loans held for sale	$ -	$ 1,282	$ -	$ 1,282
Impaired loans with valuation allowances	-	-	465	465
Real estate held for sale	-	-	436	436
December 31, 2020				
Loans held for sale	$ -	$ 7,497	$ -	$ 7,497
Impaired loans with valuation allowances	-	-	470	470
Real estate held for sale	-	-	778	778

At December 31, 2021 and 2020, there are $1,282,000 and $7,497,000 in loans held for sale, respectively, none of which have valuation allowances and fair value is estimated to be the carrying amount.

At December 31, 2021, there are $5,468,000 of impaired loans, $688,000 of which have a $223,000 valuation allowance for a net carrying amount $465,000. At December 31, 2020, there are $6,983,000 of impaired loans, $675,000 of which have a $205,000 valuation allowance for a net carrying amount $470,000.

At December 31, 2021 and 2020, there are no valuation allowances on real estate held for sale, and the assets are carried at the fair value amount established at acquisition net of direct write-offs and capitalized improvements.

The following presents the estimated fair value and carrying amount of the Company's financial instruments:

	December 31, 2021				
	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value	Carrying amount
			(in thousands)		
Financial Assets					
Cash and cash equivalents	$ 61,412	$ -	$ -	$ 61,412	$ 61,412
Investment securities at fair value	58	-	-	58	58
Investment securities available for sale	-	227,854	2,113	229,967	229,967
Nonmarketable equity investments	1,066	-	2,441	3,507	3,507
Loans held for sale	-	1,282	-	1,282	1,282
Loans, net of allowance for loan losses	-	-	425,866	425,866	427,909
Accrued interest receivable	-	1,909	-	1,909	1,909
Financial Liabilities					
Noninterest-bearing deposits	-	-	255,591	255,591	255,591
Interest-bearing deposits (non-maturity)	-	-	287,484	287,484	287,484
Interest-bearing deposits (time deposits)	-	-	84,325	84,325	84,675
Federal funds purchased, repurchase agreements and other short term borrowings	-	11,897	-	11,897	11,897
Subordinated debentures	-	24,454	-	24,454	24,454
Accrued interest payable	-	71	-	71	71

	December 31, 2020				
	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value	Carrying amount
			(in thousands)		
Financial Assets					
Cash and cash equivalents	$ 39,392	$ -	$ -	$ 39,392	$ 39,392
Investment securities at fair value	31	-	-	31	31
Investment securities available for sale	-	128,098	-	128,098	128,098
Nonmarketable equity investments	201	-	2,100	2,301	2,301
Loans held for sale	-	7,497	-	7,497	7,497
Loans, net of allowance for loan losses	-	-	410,343	410,343	408,715
Accrued interest receivable	-	2,431	-	2,431	2,431
Financial Liabilities					
Noninterest-bearing deposits	-	-	171,191	171,191	171,191
Interest-bearing deposits (non-maturity)	-	-	213,914	213,914	213,914
Interest-bearing deposits (time deposits)	-	-	96,550	96,550	96,466
Federal funds purchased, repurchase agreements and other short term borrowings	-	46,241	-	46,241	46,241
Subordinated debentures	-	4,874	-	4,874	4,874
Accrued interest payable	-	186	-	186	186

The following summary presents the methodologies and assumptions used to estimate the fair value of the Company's financial instruments. The Company operates as a going concern and, except for investment securities and loans held for sale, no active market exists for its financial instruments. Much of the information used to determine the fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. The subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. Since the fair value is estimated as of the balance sheet date, the amounts that will actually be realized or paid upon settlement or maturity of the various financial instruments could be significantly different.

Cash and Cash Equivalents, Accrued Interest Receivable, Accrued Interest Payable, Federal Funds Purchased, Repurchase Agreements and Other Short-Term Borrowings.

Fair value approximates carrying amount as these are assets held for the short term, or liabilities payable in the short term, likely to be realized or paid at their carrying amount.

Investment Securities

Fair value is provided by a third-party investment accounting provider and considers observable data that may include market quotes, dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, market consensus prepayment speeds, credit information and the instruments' terms and conditions, among other things.

Nonmarketable Equity Investments

Fair value approximates carrying amount based on the securities' redemption or conversion provisions.

Loans, Net

For fixed rate loans, fair value is estimated by discounting contractual future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. For variable rate loans, fair value is estimated to be carrying amount due to the re-pricing provisions. Loans are presented net of the allowance for loan losses, purchase premiums and discounts, and deferred fees.

Deposits

Fair value for noninterest-bearing accounts and interest-bearing accounts with no stated maturity approximates carrying amount as these deposits are payable on demand and which can be re-priced at any time. Fair value of interest-bearing time deposits is estimated by discounting future contractual cash flows using interest rates currently offered for time deposits of similar remaining maturities. Fair value does not contemplate the value of any core deposit intangible that might be recognized by an acquirer if the deposits were to be transferred in a business combination, nor the value of the core deposit intangible recognized as a result of the acquisition of the Bank by IBC.

Subordinated Debentures

For the trust preferred securities, the fair value is estimated to be the carrying amount given the instrument's variable rate provisions and repricing in connection with the 2018 acquisition.

For the subordinated notes, the fair value is estimated to be the carrying amount given market interest rates did not materially change between issuance of the notes early in the fourth quarter of 2021 and December 31, 2021.

Off-Balance-Sheet Instruments

Fair value for off-balance-sheet instruments such as unfunded loan commitments and letters of credit is not estimated because of the difficulty in assessing the likelihood and timing of advances, and management believes that it is not feasible or practical to fairly and accurately disclose a fair value for these instruments.

NOTE 20– PARENT COMPANY FINANCIAL INFORMATION

Following is financial information on IBC, presented on a parent company only basis:

InBankshares Corp
Balance Sheet - Parent Company Only Basis

	December 31, 2021	December 31, 2020
	(in thousands)	
Assets		
Cash at InBank	$ 21,385	$ 7,874
Investment in wholly owned subsidiary - InBank		
Equity in net assets of subsidiary	77,642	66,222
Investment in Neat Capital	2,000	2,000
Deferred tax asset	-	296
Common securities of capital trust	160	160
Other assets	602	265
Total assets	$ 101,789	$ 76,817
Liabilities		
Accrued expenses payable	$ 93	$ 36
Deferred tax liability	3	-
Subordinated debentures	24,454	4,874
Total liabilites	24,550	4,910
Stockholders' equity		
Preferred stock	-	-
Voting common stock	62	53
Non-voting common stock	18	20
Additional paid-in capital	74,892	69,450
Retained eanings (accumulated deficit)	918	(1,831)
Accumulated other comprehensive income	1,349	4,215
Total stockholders' equity	77,239	71,907
Total liabilities and stockholders equity	$ 101,789	$ 76,817

InBankshares Corp
Statement of Income - Parent Company Only Basis

	Years ended December 31, 2021	Years ended December 31, 2020
	(in thousands)	
Revenues		
Distributions from capital trust	$ 5	$ 6
Other	29	16
Total revenues	34	22
Expenses		
Interest on subordinated debentures	393	225
Professional fees	139	62
Franchise taxes	200	200
Merger and acquisition expense	292	-
Other	44	29
Total expenses	1,068	516
Loss before income taxes and equity in earnings of InBank	(1,034)	(494)
Income tax benefit	(228)	(122)
Equity in undistributed earnings of InBank	3,555	1,649
Net income	$ 2,749	$ 1,277

InBankshares Corp
Statement of Cash Flows - Parent Company Only Basis

	Years Ended December 31, 2021	Years Ended December 31, 2020
Cash flows from operating activities		
Net income	$ 2,749	$ 1,277
Adjustments to reconcile net income to net cash from operating activities:		
Deferred tax expense	299	61
Amortization of purchase discount and offering costs on subordinated debentures	44	23
Undistributed earnings of InBank	(3,555)	(1,649)
Change in other assets and liabilities	(280)	(263)
Net cash used by operating activities	(743)	(551)
Cash flows from investing activities		
Capital contributions to InBank	(10,000)	(3,000)
Net cash used in investing activities	(10,000)	(3,000)
Cash flows from financing activities		
Issuance of subordinated debt, net of offering costs	19,536	-
Issuance of common stock, net of offering costs	4,929	1,906
Withholding taxes paid on vested on restricted stock units	(129)	-
Redemption of common stock	(82)	(17)
Net cash provided by financing activities	24,254	1,889
Net change in cash	13,511	(1,662)
Cash at beginning of year	7,874	9,536
Cash at end of year	$ 21,385	$ 7,874
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 349	$ 202
Cash received during the year for income taxes	143	-

NOTE 21 – PENDING ACQUISITION

On November 30, 2021, the Company announced that it had entered into a definitive merger agreement with Legacy Bank, a Colorado corporation, pursuant to which Legacy Bank will merge with and into InBank in a stock and cash transaction.

Founded in 1907 and headquartered in Wiley, Colorado, Legacy is a full-service community bank with approximately $498,022,000 in total assets, $315,028,000 in gross loans and $427,066,000 in deposits as of December 31, 2021. Legacy Bank has nine full-service offices serving customers in Colorado Springs, Pueblo, Pueblo West, Cañon City, Buena Vista, Lamar, and Wiley, Colorado.

Under the terms of the merger agreement, which has been unanimously approved by the boards of directors of the Company and Legacy Bank, IBC will issue 3,566,387 shares of IBC common stock and pay $21,250,000 in cash to the shareholders of Legacy Bank in the aggregate. Based on IBC's common stock price of $9.75 per share at market close on November 29, 2021 (*i.e.*, the day prior to the announcement) the consideration to be paid by IBC to shareholders of Legacy Bank is valued at approximately $56,022,000. The actual value of the consideration to be paid will change due to fluctuations in the price of IBC's common stock and is subject to certain potential adjustments as set forth in the merger agreement. Prior to the closing of the transaction, Legacy will distribute to its shareholders other real estate owned (OREO) and certain other assets, and will pay its shareholders a special cash dividend, the amount of which will depend upon Legacy's tangible common equity at the closing, net of certain seller-paid transaction expenses.

The merger is subject to approval by federal and state bank regulators and the Legacy shareholders, and to customary closing conditions. The transaction is expected to close early in the second quarter of 2022. The Company anticipates that the transaction will qualify as a tax-free exchange with respect to the stock consideration received by Legacy Bank's shareholders.