FNB, INC.
Dennison, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

FNB, INC.
Dennison, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
FNB, Inc.
Dennison, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of FNB, Inc., which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FNB, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe LLP

Crowe LLP

Cleveland, Ohio
March 12, 2021

FNB, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and due from financial institutions	$48,191,092	$ 16,279,543
Federal funds sold	3,904,000	5,433,000
Cash and cash equivalents	52,095,092	21,712,543
Securities available for sale	92,907,365	65,731,838
Restricted stocks, at cost	111,271	111,271
Loans held for sale	451,975	376,886
Loans receivable, net	123,306,508	134,942,148
Company owned life insurance	4,169,994	4,096,986
Premises and equipment, net	3,094,117	3,249,509
Accrued interest receivable	770,760	842,409
Other assets	696,312	1,712,933
	$ 277,603,394	$ 232,776,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
Demand deposits	$ 152,468,724	$ 113,089,547
Savings deposits	61,002,382	54,203,137
Certificates of deposit	34,736,715	37,348,952
Total deposits	248,207,821	204,641,636
Short-term borrowing	750,000	1,150,000
Accrued interest payable and other liabilities	2,778,622	3,299,424
Total liabilities	251,736,443	209,091,060
Shareholders' Equity		
Common stock (No par value; 5,000,000 shares authorized; 801,000 shares issued)	2,135,643	2,135,643
Additional paid-in capital	1,015,873	1,015,873
Retained earnings	27,715,434	26,329,576
Accumulated other comprehensive loss	(864,721)	(1,660,351)
Treasury stock, at cost (128,062 shares at December 31, 2020 and December 31, 2019)	(4,135,278)	(4,135,278)
Total shareholders' equity	25,866,951	23,685,463
	$ 277,603,394	$ 232,776,523

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2020 and 2019

	2020	2019
Interest income		
Loans, including fees	$ 7,972,002	$ 8,864,433
Taxable securities	1,184,724	1,334,432
Tax exempt securities	24,966	10,384
Federal funds sold and other	95,242	284,536
Total interest income	9,276,934	10,493,785
Interest expense		
Deposits	530,803	861,350
Borrowings	34,848	47,289
Total interest expense	565,651	908,639
Net interest income	8,711,283	9,585,146
Provision for loan losses	234,000	312,000
Net interest income after provision for loan losses	8,477,283	9,273,146
Other income		
Service charges on deposit accounts	391,823	476,902
Mortgage banking income	1,224,156	480,286
Other	530,877	554,720
Total other income	2,146,856	1,511,908
Other expenses		
Compensation and benefits	4,404,988	4,550,892
Occupancy	348,828	374,725
Equipment and processing	1,155,323	798,557
State franchise taxes	(117,362)	162,368
FDIC insurance premiums	21,955	2,085
Advertising	124,752	127,697
Director fees	203,325	196,725
Professional and consulting	581,547	437,685
Other	1,246,498	1,259,585
Total other expense	7,969,854	7,910,319
Income before income taxes	2,654,285	2,874,735
Provision for income taxes	561,842	614,700
Net income	$ 2,092,443	$ 2,260,035
Basic earnings per share	$ 3.11	$ 3.36

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2020 and 2019

	2020	2019
Net income	$ 2,092,443	$ 2,260,035
Other comprehensive income (loss):		
Unrealized gains/(losses) on securities:		
Unrealized holding gain/(loss) arising during the period	375,447	823,042
Reclassification adjustment for losses (gains) included in net income	-	-
Unrealized gains (losses)	375,447	823,042
Tax effect	(78,845)	(172,839)
Net of tax	296,602	650,203
Defined benefit pension plans:		
Net (loss) gain arising during the period	513,772	(469,554)
Reclassification adjustment for amortization of net actuarial loss included in net periodic pension cost	117,909	122,246
Net unrealized gain (loss) on pension plan	631,681	(347,308)
Tax effect	(132,653)	72,935
Net of tax	499,028	(274,373)
Total other comprehensive income (loss)	795,630	375,830
Comprehensive income	$ 2,888,073	$ 2,635,865

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2020 and 2019

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 2019	$ 2,135,643	$ 1,015,873	$ 25,146,242	$ (2,036,181)	$ (4,135,278)	$ 22,126,299
Net income	-	-	2,260,035	-	-	2,260,035
Other comprehensive income (loss)	-	-	-	375,830	-	375,830
Cash dividends paid ($1.60 per share)	-	-	(1,076,701)	-	-	(1,076,701)
Balance, December 31, 2019	$ 2,135,643	$ 1,015,873	$ 26,329,576	$ (1,660,351)	$ (4,135,278)	$ 23,685,463
Net income	-	-	2,092,443	-	-	2,092,443
Other comprehensive income (loss)	-	-	-	795,630	-	795,630
Cash dividends paid ($1.05 per share)	-	-	(706,585)	-	-	(706,585)
Balance, December 31, 2020	$ 2,135,643	$ 1,015,873	$ 27,715,434	$ (864,721)	$ (4,135,278)	$ 25,866,951

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net income	$ 2,092,443	$ 2,260,035
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	455,914	424,337
Loans originated for sale	(33,604,680)	(13,648,790)
Proceeds from sale of loans	34,466,701	13,812,475
Net amortization of securities	485,507	301,830
Net gain on sale of loans	(1,224,156)	(433,770)
Provision for loan losses	234,000	312,000
Deferred income taxes	67,560	212,156
Earnings on company owned life insurance	(73,008)	(68,645)
Changes in:		
Deferred loan costs	82,906	182,662
Interest receivable	71,649	912
Interest payable	105,438	22,084
Other assets and liabilities	1,030,052	(524,339)
Net cash from operating activities	4,190,326	2,842,947
Cash flows from investing activities		
Available for sale securities:		
Proceeds from maturities and calls	23,640,000	20,920,000
Principal payments on mortgage backed securities	1,684,639	2,093,254
Purchases	(52,610,226)	(22,821,391)
Net change in loans	11,318,734	4,749,233
Premises and equipment expenditures, net	(300,523)	(271,215)
Net cash from investing activities	(16,267,376)	4,669,881
Cash flows from financing activities		
Net change in deposits	43,566,184	2,040,375
Net change in of short-term borrowings	(400,000)	400,000
Cash dividends paid	(706,585)	(1,076,701)
Net cash from financing activities	42,459,599	1,363,674
Net change in cash and cash equivalents	30,382,549	8,876,502
Beginning cash and cash equivalents	21,712,543	12,836,041
Ending cash and cash equivalents	$ 52,095,092	$ 21,712,543

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements include the accounts of FNB, Inc. (Company) and its wholly-owned subsidiaries, the First National Bank of Dennison (Bank) and TuscValley Financial, Inc. (Finance Company). All significant intercompany transactions and balances have been eliminated in consolidation.

The Company is a bank holding company engaged in the business of commercial and retail banking, with operations conducted through its main office and branches located throughout Tuscarawas County, Ohio. This market area provides the source for substantially all the Company's loan interest income derived from commercial and retail business lending activities. Substantially all funding is obtained through deposits from customers in the Company's market area.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 12, 2021, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash on hand, amounts due from financial institutions with maturities under 90 days, and federal funds sold. Generally, federal funds are sold for one-day periods. In 2020 and 2019, the Company paid approximately $604,000 and $897,000 in interest expense and $218,000 and $388,000 in income taxes. Noncash transfers of loans to other real estate owned during 2020 and 2019 were $0 and $0. Net cash flows are reported for customer loan and deposit transactions, and short term borrowings with original maturities of less than 90 days.

Restrictions on Cash: The Federal Reserve Act authorizes the Board of Governors of the Federal Reserve System to establish reserve requirements within specific ranges for purposes of implementing monetary policy on certain types of deposits and other liabilities of depository institutions. The Board reduced the reserve requirement ratios to zero percent effective March 26, 2020. This action eliminated reserve requirements for all depository institutions. There was no reserve requirement for cash on hand or on deposit with the Federal Reserve Bank at December 31, 2020. At December 31, 2019, $1,725,000 was required to meet regulatory reserve and clearing requirements.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 impairment through 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 must be recognized in the income statement 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.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on residential and commercial loans is usually discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Installment loans are typically charged-off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentrations of Credit Risk: Most of the Company's business activity is with customers located within Tuscarawas County. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the Tuscarawas County area. Automobiles and other consumer assets, business assets and residential and commercial real estate secure most loans.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on 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.

Commercial loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance of loan losses.

The general component covers loans that are collectively evaluated for impairment. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not included in the separately identified impairment disclosures. The general allowance component also includes loans that are not individually identified for impairment evaluation, such as commercial loans below the individual evaluation threshold, as well as those loans that are individually evaluated but are not considered impaired. The general component is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent three years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: Commercial loans, installment loans and real estate loans.

A description of each segment of the loan portfolio, along with the risk characteristics of each segment is included below:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial Loans – Commercial loans are made to businesses generally located within the primary market area. Those loans are generally secured by business equipment, inventory, accounts receivable and other business assets. In underwriting commercial loans, we consider the net operating income of the company, the debt service ratio and the financial strength, expertise and credit history of the business owners and/or guarantors. Because payments on commercial loans are dependent on successful operation of the business enterprise, repayment of such loans may be subject to a greater extent to adverse conditions in the economy. We seek to mitigate these risks through underwriting policies which require such loans to be qualified at origination on the basis of the enterprise's financial performance and the financial strength of the business owners and/or guarantors.

We originate commercial real estate loans that are secured by properties used for business purposes, where the primary source of repayment is derived from rental income associated with the property. These properties include office buildings and retail facilities generally located within our primary market area. Underwriting policies provide that commercial real estate loans may be in amounts less than the appraised value of the property. In underwriting commercial real estate loans, we consider the appraised value and net operating income of the property, the debt service ratio and the property owner's and/or guarantor's financial strength, expertise and credit history. Because payments on loans secured by commercial real estate properties are dependent on successful operation or management of the properties, repayment of commercial real estate loans may be subject to a greater extent to adverse conditions in the real estate market or the economy.

Residential Loans – Single-family mortgage loans include permanent conventional mortgage loans secured by single-family residences located within our primary market area. Credit approval for residential real estate loans requires demonstration of sufficient income to repay the principal and interest and the real estate taxes and insurance, stability of employment and an established credit record. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Company's market area.

Installment Loans – We originate installment loans, including auto loans to consumers, in our primary market area. Credit approved for other installment loans requires income sufficient to repay principal and interest due, stability of employment, an established credit record and sufficient collateral for secured loans. Installment loans typically will have shorter terms and lower balances with higher yields as compared to residential loans, but generally carry higher risks of default. Installment loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Company's market area.

<u>Servicing Rights</u>: When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with mortgage banking income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Mortgage servicing right assets totaled approximately $511,000 and $409,000 as of December 31, 2020 and 2019, respectively and was recorded in Other Assets in the Consolidated Balance Sheets. No valuation allowance was applied during 2020 or 2019 as the fair value exceeded the carrying value of the assets for both periods.

Servicing fee income, which is reported on the income statement as a portion of mortgage banking income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees, net of amortization of mortgage service rights totaled approximately $126,000 and $43,000 for the years ended December 31, 2020 and 2019, respectively. Late fees and ancillary fees related to loan servicing are not material.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered 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.

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

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily on the straight-line basis over the estimated useful lives of the assets.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Federal Reserve Bank Stock: The Company is a member of its regional Federal Reserve Bank (FRB). FRB stock is included in restricted stocks in the consolidated balance sheets and is carried at a cost of $87,900 for 2020 and $87,900 for 2019, respectively, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The remaining restricted stock held by the Company is not material.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Retirement Plans: Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Supplemental retirement plan expense allocates the benefits over years of service.

401(k) Profit Sharing Plan: The Company maintains a 401(k) profit sharing plan. Employees are eligible to participate in the plan after they have attained age 21. The Company has the discretion to match 100% of the employees' pre-tax contribution up to 1% of base pay on a monthly basis. Employees become vested in all contributions immediately. The Company recognized $30,000 and $26,000 in contribution expense during 2020 and 2019, respectively.

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. 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. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

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

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Common Share: Earnings per common share are computed based on the weighted average common shares outstanding. The number of outstanding shares used was 672,938 for 2020 and 672,938 for 2019. The Company's capital structure contains no dilutive securities.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and changes in the funded status of the pension plan which are also recognized as separate components of equity, net of tax.

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

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties: On March 11, 2020, the World Health Organization announced that the COVID-19 outbreak was deemed a pandemic, and on March 13, 2020, the President declared the ongoing COVID-19 pandemic of sufficient magnitude to warrant an emergency declaration. The economic effects of the COVID-19 pandemic may impact significant estimates and the assumptions underlying those estimates. The estimate that is particularly susceptible to material change is the determination of the allowance for loan losses.

NOTE 2 – SECURITIES

At December 31, 2020 and 2019, the amortized cost and fair value of available for sale securities and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
U.S. Treasury and federal agency	$ 27,106,103	$ 420,518	$ -	$ 27,526,621
U.S. Government agencies and related entities	58,304,282	321,383	-	58,625,665
State and municipal securities	2,323,416	12,670	-	2,336,086
Mortgage backed securities - residential	4,321,909	99,271	(2,187)	4,418,993
	$ 92,055,710	$ 853,842	$ (2,187)	$ 92,907,365
December 31, 2019				
U.S. Treasury and federal agency	$ 25,535,988	$ 180,852	$ (6,150)	$ 25,710,690
U.S. Government agencies and related entities	33,275,949	199,931	(2,674)	33,473,206
State and municipal securities	390,000	199	-	390,199
Asset backed securities:				
Mortgage backed securities - residential	6,040,859	111,804	(7,671)	6,144,992
Pooled SBA	12,834	-	(83)	12,751
	$ 65,255,630	$ 492,786	$ (16,578)	$ 65,731,838

(Continued)

NOTE 2 – SECURITIES (Continued)

The amortized cost and fair values of debt securities available for sale at December 31, 2020, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Due in one year or less	$23,157,600	$23,448,559
Due after one year through five years	64,576,201	65,039,812
Mortgage backed securities - residential	4,321,909	4,418,993
	$92,055,710	$92,907,365

There were no sales of securities available for sale during the years ending December 31, 2020 and 2019.

Securities with a carrying value of approximately $14,992,404 and $19,786,000 as of December 31, 2020 and 2019, respectively, were pledged to secure public funds or for other purposes as required or permitted by law.

At year-end 2020 and 2019, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following table summarizes securities with unrealized losses at December 31, 2020 and 2019, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2020 Description of Securities						
U.S. Treasury and federal agency	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Government agencies and related entities	-	-	-	-	-	-
State and municipal securities						
Mortgage backed securities - residential	215,740	(1,319)	367,897	(868)	583,637	(2,187)
Total temporarily impaired	$ 215,740	$ (1,319)	$ 367,897	$ (868)	$ 583,637	$ (2,187)
2019 Description of Securities						
U.S. Treasury and federal agency	$ 10,588,080	$ (6,150)	$ -	$ -	$ 10,588,080	$ (6,150)
U.S. Government agencies and related entities	4,655,925	(1,832)	4,499,970	(842)	9,155,895	(2,674)
State and municipal securities	-	-	-	-	-	-
Asset backed securities:						
Mortgage backed securities - residential	82,377	(751)	556,864	(6,920)	639,241	(7,671)
Pooled SBA	-	-	12,751	(83)	12,751	(83)
Total temporarily impaired	$ 15,326,382	$ (8,733)	$ 5,069,585	$ (7,845)	$ 20,395,967	$ (16,578)

(Continued)

NOTE 3 – LOANS RECEIVABLE

Loans at year end were as follows:

	2020	2019
Commercial loans	$ 31,883,378	$ 36,033,278
Installment loans	44,473,007	48,710,159
Real estate loans	49,106,251	52,328,601
Total	125,462,636	137,072,038
Allowance for loan losses	(2,156,128)	(2,129,890)
Loans, net	$ 123,306,508	$ 134,942,148

Net deferred origination costs included in loans at December 31, 2020 and 2019 were $758,592 and $841,498, respectively.

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2020 and 2019:

	Commercial	Installment	Residential	Unallocated	Total
December 31, 2020					
Allowance for loan losses:					
Beginning balance	$ 366,680	$ 737,671	$ 669,000	$ 356,539	$ 2,129,890
Provision for loan losses	5,429	231,475	1,038	(3,942)	234,000
Loans charged-off	-	(327,395)	-	-	(327,395)
Recoveries	-	119,633	-	-	119,633
Total ending allowance balance	$ 372,109	$ 761,384	$ 670,038	$ 352,597	$ 2,156,128
December 31, 2019					
Allowance for loan losses:					
Beginning balance	405,529	759,800	620,285	291,097	2,076,711
Provision for loan losses	(38,849)	236,692	48,715	65,442	312,000
Loans charged-off	-	(359,279)	-	-	(359,279)
Recoveries	-	100,458	-	-	100,458
Total ending allowance balance	$ 366,680	$ 737,671	$ 669,000	$ 356,539	$ 2,129,890

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2020 and 2019:

December 31, 2020	Commercial	Installment	Residential	Unallocated	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated -- for impairment	$ 16,779	$ -	$ -	$ -	$ 16,779
Collectively evaluated for impairment	355,330	761,384	670,038	352,597	2,139,349
Total ending allowance balance	$ 372,109	$ 761,384	$ 670,038	$ 352,597	$ 2,156,128
Loans:					
Loans individually evaluated for impairment	$ 77,373	$ 47,113	$ 295,642	$ -	$ 420,128
Loans collectively evaluated for impairment	31,806,005	44,425,894	48,810,609	-	125,042,508
Total ending loans balance	$ 31,883,378	$ 44,473,007	$ 49,106,251	$ -	$ 125,462,636

December 31, 2019	Commercial	Installment	Residential	Unallocated	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated -- for impairment	$ 28,684	$ -	$ -	$ -	$ 28,684
Collectively evaluated for impairment	337,996	737,671	669,000	356,539	2,101,206
Total ending allowance balance	$ 366,680	$ 737,671	$ 669,000	$ 356,539	$ 2,129,890
Loans:					
Loans individually evaluated for impairment	$ 151,174	$ 5,408	$ 538,782	$ -	$ 695,364
Loans collectively evaluated for impairment	35,882,104	48,704,751	51,789,819	-	136,376,674
Total ending loans balance	$ 36,033,278	$ 48,710,159	$ 52,328,601	$ -	$ 137,072,038

Accrued interest, totaling approximately $395,000 and $483,000 for December 31, 2020 and 2019 respectively, is not included in the recorded investment in loans based on the amount not being material.

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

The following table presents information related to impaired loans by class of loans as of and for the years ended December 31, 2020 and 2019:

December 31, 2020	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:						
Commercial:						
Commercial and industrial	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate owner occupied	60,594	60,594	-	61,972	3,490	3,490
Installment	47,113	47,113	-	32,251	601	601
Residential:						
1-4 family	267,658	267,658	-	243,897	11,663	11,663
Other	27,984	27,984	-	6,996	353	353
Subtotal	403,349	403,349	-	345,116	16,107	16,107
With an allowance recorded:						
Commercial:						
Commercial and industrial	16,779	16,779	16,779	23,327	1,095	1,095
Subtotal	16,779	16,779	16,779	23,327	1,095	1,195
Total	$ 420,128	$ 420,128	$ 16,779	$ 368,443	$ 17,202	$ 17,202

December 31, 2019	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:						
Commercial:						
Commercial and industrial	$ 55,882	$ 55,882	$ -	$ 13,971	$ 647	$ 647
Commercial real estate owner occupied	66,608	66,608	-	68,757	4,122	4,122
Installment	5,408	5,408	-	25,054	1,290	1,290
Residential:						
1-4 family	291,324	291,324	-	259,762	13,768	13,768
Other	247,458	247,458	-	61,864	3,136	3,136
Subtotal	666,680	666,680	-	429,408	22,963	22,963
With an allowance recorded:						
Commercial:						
Commercial and industrial	28,684	28,684	28,684	30,607	1,978	1,978
Subtotal	28,684	28,684	28,684	30,607	1,978	1,978
Total	$ 695,364	$ 695,364	$ 28,684	$ 460,015	$ 24,941	$ 24,941

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following tables present the recorded investment in nonaccrual and loans past due over 89 days still on accrual by class of loans as of December 31, 2020 and December 31, 2019:

	Nonaccrual		Loans Past Due Over 89 Days Still Accruing	
	2020	2019	2020	2019
Commercial:				
Commercial real estate	$ -	$ -	$ -	$ -
Commercial real estate owner occupied	-	-	60,594	66,608
Commercial and industrial	16,779	28,684	-	-
Other	-	-	-	-
Installment	17,957	20,497	74,403	197,412
Residential:				
Equity line of credit	-	-	-	-
1-4 family	180,082	103,558	-	187,767
Other	-	-	-	-
Total	$ 214,818	$ 152,739	$ 134,997	$ 451,787

The following table presents the aging of the recorded investment in past due loans as of December 31, 2020 and 2019 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2020						
Commercial:						
Commercial real estate	$ -	$ -	$ -	$ -	$ 10,297,390	$10,297,390
Commercial real estate owner occupied	-	-	60,594	60,594	8,211,884	8,272,478
Commercial and industrial	-	46,237	16,779	63,016	10,200,000	10,263,016
Other	-	-	-	-	3,050,495	3,050,495
Installment	671,205	190,582	92,360	954,147	43,518,860	44,473,007
Residential:						
Equity line of credit	54,797	11,182	-	65,979	12,810,621	12,876,601
1-4 Family	363,716	31,929	180,082	575,727	31,722,754	32,295,481
Other	-	-	-	-	3,931,169	3,931,169
Total	$ 1,089,718	$ 279,930	$ 349,816	$ 1,719,463	$ 123,743,173	$ 125,462,636
December 31, 2019						
Commercial:						
Commercial real estate	$ -	$ -	$ -	$ -	$ 12,439,819	$ 12,439,819
Commercial real estate owner occupied	-	-	66,608	66,608	10,552,055	10,618,663
Commercial and industrial	55,882	9,978	28,684	94,544	9,111,364	9,205,908
Other	-	26,143	-	26,143	3,742,745	3,768,888
Installment	950,594	304,645	217,909	1,473,148	47,237,011	48,710,159
Residential:						
Equity line of credit	217,424	-	-	217,424	12,121,016	12,338,440
1-4 Family	455,358	48,230	291,325	794,913	34,206,421	35,001,334
Other	-	-	-	-	4,988,827	4,988,827
Total	$ 1,679,258	$ 388,996	$ 604,526	$ 2,672,780	$ 134,399,258	$ 137,072,038

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

Troubled Debt Restructurings
The Company has not identified any troubled debt restructurings as of December 31, 2020 and 2019.

Credit Quality Indicators
The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes non-homogeneous loans such as commercial and commercial real estate loans. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful 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.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are included in groups of homogeneous loans. Based on the most recent analysis performed the risk category of loans by segments is as follows:

	Not Rated	Pass	Special Mention	Substandard	Doubtful
December 31, 2020					
Commercial	$ -	$ 31,712,471	$ -	$ 170,907	$ -
Installment	44,284,330	-	-	188,677	-
Residential	48,418,105	-	-	687,146	-
Total	$ 92,703,435	$ 31,712,471	$ -	$ 1,046,730	$ -
December 31, 2019					
Commercial	$ -	$ 35,729,432	$ -	$ 303,846	$ -
Installment	48,388,116	-	-	322,043	-
Residential	51,171,609	-	-	1,156,992	-
Total	$ 99,559,725	$ 35,729,432	$ -	$ 1,782,881	$ -

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

The Company considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential and consumer loan classes, the Company also evaluates credit quality based on the performing status of the loan. Non-performing loans are non-accrual loans and loans past due greater than 89 days still accruing interest. The following table presents the recorded investment in residential and consumer loans based on performance status:

		Residential		
	Installment	Equity Lines of Credit	1 – 4 Family	Other
December 31, 2020				
Nonperforming	$ 92,360	$ -	$ 180,082	$ -
Performing	44,380,647		32,118,399	3,931,169
Total	$ 44,473,007	$ 12,876,601	$ 32,298,481	$ 3,931,169
December 31, 2019				
Nonperforming	$ 217,909	$ -	$ 291,325	$ -
Performing	48,492,250	12,338,440	34,710,009	4,988,827
Total	$ 48,710,159	$ 12,338,440	$ 35,001,334	$ 4,988,827

On March 22, 2020, the federal banking agencies issued an “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus” (revised later on April 7, 2020), which, among other things, encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19, and stated that institutions generally do not need to categorize COVID-19-related modifications as TDRs, and that the agencies will not direct supervised institutions to automatically categorize all COVID-19 related loan modifications as TDRs. In addition, on March 27, 2020, President Trump signed the Coronavirus Aid, Relief and Economic Security Act, or CARES act, which provided financial institutions the option to temporarily suspend certain requirements under GAAP related to loan modifications and classification as TDRs for a limited period of time to account for the effects of COVID-19. During 2020, the Bank granted COVID-19 related modifications for 215 loans with year-end balances of approximately $8.9 million. As of December 31, 2020, the total outstanding balance of COVID-19 modifications for the Company were approximately $16,000 representing 3 loans or 0.15% of the total loan portfolio. Loan modifications were made on a case-by-case basis and ranged from an extension of interest only payments to payment deferrals. The loans are not classified as TDRs.

The CARES act established a $2.0 trillion economic stimulus package, including cash payments to individuals, supplemental unemployment insurance benefits and a $349 billion loan program administered through the U.S. Small Business Administration (SBA), referred to as the Paycheck Protection Program, or PPP program, which was subsequently increased by $320 billion on April 24, 2020. Under the PPP program, small businesses, sole proprietorships, independent contractors and self-employed individuals may apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. The Company is participating as a lender in the PPP program. As of December 31, 2020, the Bank has received approval and completed funding on 210 client loans totaling approximately $13.1 million under the Paycheck Protection Program, of which 145 loans totaling approximately $10.6 million had been forgiven. These loans resulted in net fee income of $556,000 to be recognized through net interest income over the contractual life of the loans, which is between two and five years. During the year ended December 31, 2020, the Company recognized $467,000 of net deferred SBA PPP fees, included in interest income on loans on the consolidated statements of income.

(Continued)

NOTE 4 - FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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

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

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

The Company used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair value for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). There are no investments held at Level 1 or Level 3 as of December 31, 2020 and 2019.

(Continued)

NOTE 4 - FAIR VALUE (Continued)

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for the comparable properties. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classifications. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for collateral-dependent impaired loans are performed by a member of senior management or performed by an independent appraiser. Once completed, an independent member of senior management reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value.

Assets measured at fair value on a recurring basis, including financial assets for which the Company has elected the fair value option, are summarized below:

	Fair Value Measurements at December 31, 2020 Using
	Significant Other Observable Inputs (Level 2)
Assets:	
U.S. Treasury and federal agency	$ 27,526,621
U.S. Government agencies and related entities	58,625,665
State and municipal securities	2,336,086
Mortgage backed securities - residential	4,418,993
	$ 92,907,365

Fair Value Measurements

	at December 31, 2019 Using Significant Other Observable Inputs (Level 2)
Assets:	
U.S. Treasury and federal agency	$ 25,710,690
U.S. Government agencies and related entities	33,473,206
State and municipal securities	390,199
Asset backed securities:	
Mortgage backed securities - residential	6,144,992
Pooled SBA	12,751
	$ 65,731,838

NOTE 4 - FAIR VALUE (Continued)

There were no transfers between levels during 2020 or 2019.

Assets measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurements at December 31, 2020 Using
	Significant Unobservable Inputs (Level 3)
Assets:	
Impaired loans:	
Commercial and Industrial	$ -

	Fair Value Measurements at December 31, 2019 Using
	Significant Unobservable Inputs (Level 3)
Assets:	
Impaired loans:	
Commercial and Industrial	$ -

At December 31, 2020 and 2019, impaired loans had unpaid principal balances of $16,779 and $28,684 respectively, which were offset by valuation allowances of the same amounts reducing the carrying amounts to $0.

(Continued)

NOTE 4 - FAIR VALUE (Continued)

The carrying amounts and estimated fair values of financial instruments, at December 31, 2020 and December 31, 2019 are as follows:

	Carrying Value	Fair Value Measurements at December 31, 2020 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$52,095,000	$52,095,000	$ -	$ -	$52,095,000
Securities available-for-sale	92,907,000	-	92,907,000	-	92,907,000
Loans held for sale	452,000	-	452,000	-	452,000
Loans, net of allowance	123,307,000	-	-	119,646,000	119,646,000
Accrued interest receivable	771,000	-	376,000	399,000	771,000
Financial liabilities					
Certificates of Deposit	(34,737,000)	-	(35,013,000)	-	(35,013,000)
Short-term borrowings	(730,000)	-	(750,000)	-	(750,000)
Accrued interest payable	(27,000)	-	(27,000)	-	(27,000)

	Carrying Value	Fair Value Measurements at December 31, 2019 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 21,713,000	$ 21,713,000	$ -	$ -	$ 21,713,000
Securities available-for-sale	65,732,000	-	65,232,000	-	65,732,000
Loans held for sale	377,000	-	377,000	-	377,000
Loans, net of allowance	134,942,000	-	-	130,840,000	130,840,000
Accrued interest receivable	842,000	-	359,000	483,000	842,000
Financial liabilities					
Certificates of Deposit	(37,349,000)	-	(37,421,000)	-	(37,421,000)
Short-term borrowings	(1,150,000)	-	(1,150,000)	-	(1,150,000)
Accrued interest payable	(63,000)	-	(63,000)	-	(63,000)

While these estimates are based on management's judgment of the appropriate valuation factors, no assurance exists that, were the Company to have liquidated such items, the estimated fair values would necessarily have been realized. The estimated fair values should not be considered to apply to subsequent dates.

NOTE 5 - OFFICE PREMISES AND EQUIPMENT

Office properties and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Land and buildings	$ 5,532,463	$ 5,468,804
Furniture and equipment	8,207,039	7,969,113
Total cost	13,759,502	13,437,917
Less: Accumulated depreciation	(10,645,385)	(10,188,408)
	$ 3,094,117	$ 3,249,509

NOTE 6 - DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 at year-end 2020 and 2019 were $3,526,619 and $3,786,139.

At December 31, 2020, the scheduled maturities of certificates of deposit were as follows:

Year-Ending December 31,	
2021	$ 23,961,118
2022	6,805,838
2023	1,731,728
2024	1,322,865
2025	915,166
	$34,736,715

NOTE 7 –SHORT-TERM BORROWING

The Finance Company has a revolving line of credit agreement with an unrelated commercial bank. The maximum borrowing under the line is $1,400,000 and the agreement matures August 1, 2021. The balance outstanding at December 31, 2020 and 2019 was $750,000 and $1,150,000, respectively. The variable interest rate on the line is 3.25% and priced at prime. The Company is the guarantor of the debt which is fully collateralized by the assets of the Finance Company.

NOTE 8 - FEDERAL INCOME TAXES

The provision for income taxes consisted of the following:

	2020	2019
Current tax expense	$ 494,282	$ 402,544
Deferred tax benefit	67,560	212,156
	$ 561,842	$ 614,700

Effective tax rates differ from federal statutory rates applied to pre-tax income due to the following:

	2020	2019
Income tax computed at the statutory tax rate of 21% on pre-tax income	$ 557,400	$ 603,695
Effect of:		
Tax exempt interest, net	(5,578)	(3,460)
Company owned life insurance earnings, net	(13,719)	(12,802)
Other, net	23,739	27,267
	$ 561,842	$ 614,700

(Continued)

NOTE 8 - FEDERAL INCOME TAXES (Continued)

The tax effects of principal temporary differences and the resulting deferred tax assets and liabilities that comprise the net deferred tax balance recorded in Other Assets in the Consolidated Balance Sheets are as follows at December 31:

	2020	2019
Items giving rise to deferred tax assets:		
Allowance for loan losses	$ 415,790	$ 410,280
Deferred compensation	163,051	174,563
Pension benefit- OCI	408,709	541,363
Accrued vacation	565	565
Other	50,881	31,813
	1,038,996	1,158,584
Items giving rise to deferred tax liabilities:		
Accumulated depreciation	(167,980)	(189,830)
Unrealized gain on securities available for sale	(178,847)	(100,004)
Prepaid expenses	(40,620)	(32,848)
Accretion	(37,525)	(24,412)
Pension expense	(258,120)	(192,099)
Accrual to cash	(137,344)	(143,102)
Mortgage servicing rights	(107,229)	(85,901)
	(927,665)	(768,196)
Net deferred tax asset	$ 111,331	$ 390,388

At December 31, 2020 and 2019, the Company had no unrecognized income tax benefits recorded. The Company does not expect the amount of unrecognized income tax benefits to significantly change within the next twelve months.

The Company is subject to U.S. federal income tax. The Company is no longer subject to examination by federal taxing authority for years prior to 2016. The tax years 2016-2020 remain open to examination by U.S. taxing authority.

The Company filed for refund claims totaling $327,000 with the State of Ohio related to its 2015 and 2014 state franchise tax. State of Ohio chartered banks and savings institutions were allowed a dollar for dollar tax credit against their annual financial institutions tax for regulatory assessment fees paid to the Ohio Division of Financial Institutions. National banks and savings institutions did not receive a credit for regulatory assessments paid to the Office of the Controller of the Currency or any other federal regulatory body. The Office of the Comptroller of the Currency provided a letter to the State of Ohio that stated for the purposes of state tax law, a national bank shall be treated as a state bank chartered by the state in which the national bank has its principal office. Further, the letter concluded that because the State of Ohio financial institutions tax did not treat national banks with their principal offices in Ohio as if they were Ohio state-chartered banks, the financial institutions tax as applied to such national banks was not permissible under federal law. The Company settled the case with the state of Ohio during 2020 for a confidential amount.

NOTE 9 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Other Income. The following table present the Company's sources Other Income for the year ended December 31, 2020 and 2019. Items outside the scope ASC 606 are noted as such.

	2020	2019
Other Income:		
Service charges on deposits	$ 391,823	$ 476,902
Mortgage banking income [(a)]	1,224,156	480,286
Other:		
Interchange income	275,387	284,691
Earnings on Cash Surrender Value (a)	113,097	113,269
Other fees	142,393	156,760
Total Other Income	$ 2,146,856	$ 1,511,908

[(a)]Not within the scope of ASC 606

Service Charges on Deposits: The Company earns fees from its deposit customers for transaction based, account maintenance and overdraft services. Transaction-based fees, which include services such as ATM fees, stop payment fees, returned check fees and wire transfer fees, are recognized at the time the transaction is executed, as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income: The Company earns interchange fees from check card and credit card transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing service provided to the cardholder.

Other Fees: The Company earns fees from its customers for money orders, safe deposit box, check cashing fees and commission fees. The service fees are recognized in the same manner as the service charges mentioned above. No individual item in this category exceeded $50,000.

NOTE 10 – RELATED PARTY TRANSACTIONS

Loans to principal officers, directors and their affiliates at year-end 2020 and 2019 were $2,484,000 and $2,466,000.

Deposits from officers, directors, and their affiliates at year-end 2020 and 2019 were approximately $6,653,000 and $4,305,000. During the ordinary course of business, the Bank paid approximately $15,000 and $22,000 for legal services provided by companies affiliated with certain members of the Board of Directors during the year ended December 31, 2020 and 2019, respectively.

(Continued)

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company may be 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 make loans. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans is represented by the contractual amount of those instruments. The Company follows the same credit policy to make such commitments as is followed for those loans recorded in the financial statements.

	2020	2019
Revolving and open-end lines secured by 1-4 family residential real estate	$15,651,000	$13,767,000
Unused credit card balances	2,427,000	2,242,000
Commitments to fund commercial real estate and construction	1,575,000	561,000
Other unused commitments including commercial and industrial loans	6,318,000	6,110,000
Standby letters of credit	294,000	296,000

At December 31, 2020, total fixed rate commitments totaled $959,248 with interest rates that ranged from 3.05% to 5.99%. At December 31, 2019, total fixed rate commitments included above totaled $274,522 with interest rates that ranged from 4.05% to 5.99%.

As of December 31, 2019, the Company has "change in control" agreements with one of its executive officers that, if triggered, would result in predetermined salary and benefit awards owed to this executive.

(Continued)

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following are changes in accumulated other comprehensive income (loss) by component, net of tax, for the year ending December 31, 2020 and 2019:

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Pension Items	Total
December 31, 2020			
Beginning balance	$ 376,204	$ (2,036,555)	$ (1,660,351)
Other comprehensive income (loss) before reclassification	296,602	405,880	702,482
Amounts reclassified from accumulated other comprehensive income	-	93,148	93,148
Net current period other comprehensive income	296,602	499,028	795,630
Ending balance	$ 672,806	$ (1,537,527)	$ (864,721)

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Pension Items	Total
December 31, 2019			
Beginning balance	$ (273,999)	$ (1,762,182)	$ (2,036,181)
Other comprehensive income (loss) before reclassification	650,203	(370,947)	279,256
Amounts reclassified from accumulated other comprehensive income	-	96,574	96,574
Net current period other comprehensive income	650,203	(274,373)	375,830
Ending balance	$ 376,204	$ (2,036,555)	$ (1,660,351)

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The following are significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2020:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Amortization of actuarial gains (losses)	$ (117,909)	Compensation and benefits
	(117,909)	Income before income taxes
	24,761	Provision for income taxes
Total reclassification for the period	$ (93,148)	Net income

There were no reclassifications from unrealized gains and losses on available-for-sale securities during 2020.

The following are significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2019:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Amortization of actuarial gains (losses)	$ (122,246)	Compensation and benefits
	(122,246)	Income before income taxes
	25,672	Provision for income taxes
Total reclassification for the period	$ (96,574)	Net income

There were no reclassifications from unrealized gains and losses on available-for-sale securities during 2019.

(Continued)

NOTE 13 - REGULATORY MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, 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. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities and net actuarial loss related to the defined pension plan are not included in computing regulatory capital. Management believes as of December 31, 2020, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2020 and 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to Section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies’ capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2020, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Actual and required capital amounts (in thousands) and ratios are presented below at year end.

(Continued)

	Actual		Required For Capital Adequacy Purposes		To Be "Well Capitalized" Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020						
Tier 1 capital to average assets	$ 25,309	9.4%	$ 21,546	8.0%	$ 21,546	8.0%
December 31, 2019						
Common Tier 1 core to risk weighted assets (CET1)	$ 24,264	18.0%	$ 6,076	4.5%	$ 8,777	6.5%
Total capital to risk weighted assets	25,956	19.2	10,802	8.0	13,503	10.0
Tier 1 capital to risk weighted assets	24,264	18.0	8,102	6.0	10,802	8.0
Tier 1 capital to average assets	24,264	10.3	9,388	4.0	11,735	5.0

Dividend Restrictions: The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits combined with the retained net profits of the preceding two years, subject to the capital requirements described above. During 2021, the Bank could, without prior approval, declare dividends of approximately $2,192,000 plus any retained net profits through the date of the dividend.

(Continued)

NOTE 14 – PENSION PLAN

The Company has a noncontributory defined benefit pension plan that covers qualified employees. The Company uses a December 31 measurement date for its pension plan.

Information about changes in obligations and plan assets of the defined benefit pension plan follows:

	2020	2019
Change in benefit obligation:		
Beginning benefit obligation	$ 6,257,059	$ 5,324,832
Service cost	-	285,160
Interest cost	202,450	236,870
Actuarial (gain)/loss	(735,958)	817,136
Benefits paid	(960,844)	(406,939)
Ending benefit obligation	4,762,707	6,257,059
Change in plan assets, at fair value:		
Beginning plan assets	4,183,593	3,241,949
Actual return	86,130	582,793
Employer contribution	409,065	765,790
Benefits paid	(960,844)	(406,939)
Ending plan assets	3,717,944	4,183,593
Funded status at end of year (plan assets less benefit obligations)	$ 1,044,763	$ (2,073,466)

Amounts recognized in accumulated other comprehensive income at December 31 consist of:

	2020	2019
Net actuarial loss	$ 1,946,237	$ 2,577,918
Unrecognized transition obligation	-	-
	$ 1,946,237	$ 2,577,918

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income:

	2020	2019
Service cost	$ -	$ 285,160
Interest cost	202,450	236,870
Expected return on plan assets	(308,316)	(235,211)
Amortization of net (gain) loss	117,909	122,246
Net periodic benefit cost	12,043	409,065
Current year (gain) loss	(513,772)	469,554
Amortization	(117,909)	(122,246)
Total recognized in other comprehensive (income) loss	(631,681)	347,308
Total recognized in net periodic benefit Cost and other comprehensive (income) loss	$ (619,638)	$ 756,373

(Continued)

NOTE 14 – PENSION PLAN (Continued)

The estimated net loss and unrecognized transition obligation for the pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next calendar year is approximately $99,000.

Contributions

The Company expects to contribute at least the minimum required contribution for the 2021 plan year and is estimated to be approximately $326,427.

Estimated Future Payments

The following benefit payments are expected:

2021	183,375
2022	234,603
2023	231,287
2024	261,907
2025	270,222
Following 5 years	1,579,015

As of April 30, 2020, the Board of Directors approved a resolution to freeze the Pension plan as to additional future benefit obligations and new participants. This resolution was in response to uncertain market conditions and in effort to reduce future expenses associated with the plan.

Assumptions

Weighted-average assumptions used to determine pension benefit obligations at year-end:

	2020	2019
Discount rate	2.75%	3.25%
Rate of compensation increase	2.25%	2.25%

Weighted-average assumptions used to determine net periodic pension cost:

	2020	2019
Discount rate	3.25%	4.25%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	2.25%	3.25%

The Company's pension plan asset allocation at year-end 2020 and 2019, target allocation for 2021, and expected long-term rate of return by asset category are as follows:

Investment Strategy and Allocation

The target allocations for Plan assets are shown in the next table. Cash equivalents consist primarily of short term investment funds. Equity securities primarily include investment holdings with well recognized mutual fund providers comprised of diverse domestic and international common stock and depository receipts. Fixed income securities include mutual funds comprised of diverse domestic and international corporate bonds.

(Continued)

NOTE 14 – PENSION PLAN (Continued)

	Target Allocation	Percentage of Plan Assets at Year-end		Weighted-Average Expected Long-Term Rate of Return
Asset Category	2021	2020	2019	2020
Equities	50%	47%	56%	9%
Cash and equivalents	5	12	11	-
Fixed income	40	29	20	5
Alternatives and other	5	12	13	5
Total	100%	100%	100%	7%

The weighted average expected long-term rate of return is estimated based on current trends of the plan's assets as well as projected future rates of return on those assets and reasonable actuarial assumptions, and the real and nominal rate of investment return for a specific mix of asset classes.

The long term rate of return considers historical returns. Adjustments were made to historical returns in order to reflect expectations of future returns. The investment philosophy for the plan is described as "current income and capital appreciation." These adjustments were due to factor forecasts by economists and long-term U.S. Treasury yields to forecast long-term inflation. In addition, forecasts by economists and others for long-term GDP growth were factored into the development of assumptions for earnings growth.

The plan currently prohibits its investment managers from purchasing the following investments:

- Short sales of any kind.
- Repurchase agreements that may create any kind of leverage in the portfolio. (Repurchase agreements as cash equivalents are permitted.)
- Purchases of letter or restricted stock.
- Buying or selling on the margin.
- Purchases of futures and options.
- Purchases of derivative securities which have any of the following characteristics: leverage, indexed principal payment, or links to indexes representing investment.
- Purchases of Guaranteed Investment Contract (GIC's) or Bank Investment Contracts (BIC's).
- Any transactions giving rise to unrelated business taxable income.
- Any transaction that would be a "prohibited transaction" under the Internal Revenue Code Section 503.
- Purchases of precious metals.
- Purchases of commodities.
- Purchases of inverse floaters.

All other investments not prohibited by the plan are permitted.

NOTE 14 – PENSION PLAN (Continued)

Fair Value of Plan Assets

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

Equity Securities, Fixed Income Securities and Alternatives and Other Funds: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

The fair value of the plan assets at December 31, 2020 and 2019, by asset category, is as follows:

	Fair Value Measurements at December 31, 2020 Using:	
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Plan Assets:		
Cash and equivalents	$ 437,201	$ 437,201
Equities	1,749,270	1,749,270
Fixed income	1,088,152	1,088,152
Alternatives and other	443,321	443,321
Total Plan Assets	$ 3,717,944	$ 3,717,944

	Fair Value Measurements at December 31, 2019 Using:	
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Plan Assets:		
Cash and equivalents	$ 476,300	$ 476,300
Equities	2,320,888	2,320,888
Fixed income	826,942	826,942
Alternatives and other	559,463	559,463
Total Plan Assets	$ 4,183,593	$ 4,183,593

NOTE 15 – SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

During 2006, the Company entered into a Supplemental Executive Retirement Plan (SERP) for certain executive officers. Under the terms of the agreement, each officer, or their beneficiary, will be paid a fixed annual benefit for a period of fifteen years following his or her retirement or termination other than for cause. A liability is accrued for this obligation. The Company incurred $35,936 and $38,344 in expenses during 2020 and 2019 associated with these agreements resulting in a SERP liability accrual of $776,432 and $831,253 at December 31, 2020 and 2019, respectively. Benefit payments from the plan were $90,758 during 2020, and $90,758 during 2019.