FNB First Neighborhood Bank

2020

ANNUAL REPORT

WCB West-Central Bancorp, Inc.

2020

WCB West-Central Bancorp, Inc.

FNB First Neighborhood Bank

Message from the Chairman of the Board

During my 42 year banking career, 22 of which have been with First Neighborhood Bank, I have never experienced the many challenges that the banking industry has faced during 2020. Although 2020 was a difficult year, our new senior management team has gained invaluable experience and has displayed the ability to adapt and work as a team to ensure the continued growth of the bank, as well as provide a safe environment for both employees and customers during this unprecedented global pandemic.

After consulting with the appropriate professionals, management elected to follow the Governor's guidelines in restricting in-person contact in our offices. These measures included restricting access to our lobbies by appointment only, and providing masks and sanitizer. As of the date of this message, we are pleased to announce that, in line with the Governor's lifted restrictions, our offices are again open to the public. We continue to require masks and frequent sanitizing of the facilities to ensure everyone's continued safety.

As always, our 2020 Annual Report is available for your viewing on our website. In spite of the challenges we faced last year, the report does reflect a significant increase in earnings and growth over the prior year. Management has been very proactive in positioning the bank for continued enhanced earnings and future growth, as well as continuing to protect your investment. Recent examinations with both the state and federal authorities reflect our positive efforts to address the ongoing changes in banking.

The major component of last year's message to you was related to management succession due to pending retirements. I can speak on behalf of the Board of Directors that the transition to our group of successors has been completed and we are extremely pleased with the results and we are excited for the future. I encourage you to visit any of our locations to meet members of our management team. You can also expect to see these individuals taking an active role in our communities as restrictions are lifted, as we continue to represent your neighborhood bank.

The Board of Directors and management ask you, the shareholders, to work together to improve our investment by establishing First Neighborhood Bank as your primary bank, if you haven't already done so. Our online banking products make it easy for you to bank with us, even when you are not in the neighborhood.

Please join us in person on Tuesday, March 23rd, for our annual shareholders' meeting. We will continue to follow COVID guidelines on that day. I personally want to thank you for allowing me to continue to serve as your Chairman.

Respectfully,

David M. Righter

David M. Righter
Chairman of the Board and
Chief Executive Officer
February 25, 2021

The annual report can be viewed on our website:
https://www.firstneighborhoodbank.com/investor-relations.htm
Under About Us/Investor Relations/Annual Reports, click on 2020 FNB Annual Report (pdf).

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES

SPENCER, WEST VIRGINIA

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020

Suttle & Stalnaker | Certified Public Accountants

A Professional Limited Liability Company

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Suttle & Stalnaker Certified Public Accountants
A Professional Limited Liability Company

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West-Central Bancorp, Inc. and Subsidiaries
Spencer, West Virginia

We have audited the accompanying consolidated financial statements of West-Central Bancorp, Inc. and its Subsidiaries, 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 each of the three years in the period ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits 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 the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
February 23, 2021

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	$ 4,339,792	$ 4,832,250
Interest-earning deposits in other banks	411,076	408,270
Federal funds sold	6,655,000	7,880,000
Cash and cash equivalents	11,405,868	13,120,520
Time deposits	5,000,000	5,000,000
Investment securities		
Debt securities available-for-sale, at fair value	53,944,152	29,233,636
Other securities	67,100	66,300
Loans	81,853,683	90,177,276
Less: allowance for loan losses	(1,027,825)	(897,930)
Loans - net	80,825,858	89,279,346
Accrued interest receivable	453,947	388,884
Premises and equipment - net	2,371,733	2,350,659
Other real estate owned	725,000	35,000
Cash surrender value - bank owned life insurance	3,336,891	3,281,811
Deferred income taxes	319,780	457,175
Other assets	186,162	372,526
Total assets	**$ 158,636,491**	**$ 143,585,857**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Demand - noninterest-bearing	$ 54,114,760	$ 40,102,161
Demand - interest-bearing	27,263,745	27,719,853
Savings	23,212,306	20,256,613
Time	35,905,631	38,344,953
Total deposits	140,496,442	126,423,580
Advance payments from borrowers for taxes and insurance	88,478	97,223
Accrued interest payable	59,306	82,818
Other liabilities	1,401,828	1,424,123
Total liabilities	142,046,054	128,027,744
Shareholders' equity		
Common stock (par value $1.00; 5,000,000 shares authorized; 350,860 shares issued; 184,453 shares outstanding as of December 31, 2020 and 2019, respectively)	350,860	350,860
Additional paid in capital	1,597,246	1,597,246
Retained earnings	18,394,899	17,801,596
Less: treasury stock, at cost (166,407 shares as of December 31, 2020 and 2019, respectively)	(4,208,079)	(4,208,079)
Accumulated other comprehensive income	455,511	16,490
Total shareholders' equity	16,590,437	15,558,113
Total liabilities and shareholders' equity	**$ 158,636,491**	**$ 143,585,857**

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020

	2020	2019	2018
Interest income			
Interest and fees on loans	$ 4,113,342	$ 4,520,016	$ 4,622,843
Interest on deposits in other banks	136,228	125,117	76,587
Interest on federal funds sold	36,403	117,628	87,206
Interest and dividends on investment securities	809,114	464,945	382,377
Total interest income	5,095,087	5,227,706	5,169,013
Interest expense			
Interest on deposits	737,718	742,466	379,670
Total interest expense	737,718	742,466	379,670
Net interest income	4,357,369	4,485,240	4,789,343
Provision for loan losses	40,000	285,000	232,000
Net interest income after provision for loan losses	4,317,369	4,200,240	4,557,343
Noninterest income			
Service charges and fees	471,023	553,162	517,726
Increase in cash surrender value - bank owned life insurance	55,080	55,534	56,100
Net realized gains (losses) from sales of investment debt securities available-for-sale	142,601	(6,211)	-
Other income	88,191	68,072	37,173
Total noninterest income	756,895	670,557	610,999
Noninterest expense			
General and administrative			
Compensation and benefits	2,332,028	2,278,055	2,267,622
Occupancy and equipment	579,578	583,935	534,296
FDIC assessment	18,000	24,000	36,000
Data processing	504,024	502,361	473,476
Other expenses	770,986	880,874	845,048
Total noninterest expense	4,204,616	4,269,225	4,156,442
Income before income tax expense	869,648	601,572	1,011,900
Income tax expense	91,892	91,461	158,756
Net income	**$ 777,756**	**$ 510,111**	**$ 853,144**
Net income available for common shareholders	$ 777,756	$ 510,111	$ 853,144
Per common share data			
Net income	4.22	2.77	4.09
Cash dividends declared	1.00	1.00	1.00
Average common shares outstanding	184,453	184,453	208,828

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020

	2020	2019	2018
Net income	$ 777,756	$ 510,111	$ 853,144
Other comprehensive income (loss)			
Unrealized gains (losses) on investment debt securities available-for-sale arising during the year	744,622	222,322	(82,733)
Adjustment for income tax (expense) benefit	(201,502)	(59,323)	23,000
	543,120	162,999	(59,733)
Reclassification adjustment for (gains) losses on investment debt securities available-for-sale included in net income	(142,601)	6,211	-
Adjustment for income tax expense (benefit)	38,502	(1,677)	-
	(104,099)	4,534	-
Other comprehensive income (loss), net of income tax	439,021	167,533	(59,733)
Comprehensive income	**$ 1,216,777**	**$ 677,644**	**$ 793,411**

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2017	$ 350,860	$ 1,597,246	$ 16,819,954	$ (2,631,311)	$ (91,310)	$ 16,045,439
Comprehensive income	-	-	853,144	-	(59,733)	793,411
Purchases of treasury stock (25,436 shares)	-	-	-	(1,576,768)	-	(1,576,768)
Cash dividends declared ($1.00 per share)	-	-	(197,160)	-	-	(197,160)
Balance at December 31, 2018	350,860	1,597,246	17,475,938	(4,208,079)	(151,043)	15,064,922
Comprehensive income	-	-	510,111	-	167,533	677,644
Cash dividends declared ($1.00 per share)	-	-	(184,453)	-	-	(184,453)
Balance at December 31, 2019	350,860	1,597,246	17,801,596	(4,208,079)	16,490	15,558,113
Comprehensive income	-	-	777,756	-	439,021	1,216,777
Cash dividends declared ($1.00 per share)	-	-	(184,453)	-	-	(184,453)
Balance at December 31, 2020	**$ 350,860**	**$ 1,597,246**	**$ 18,394,899**	**$ (4,208,079)**	**$ 455,511**	**$ 16,590,437**

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020

	2020	2019	2018
Cash flows from operating activities			
Net income	$ 777,756	$ 510,111	$ 853,144
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation	166,315	191,867	213,633
Provision for loan losses	40,000	285,000	232,000
Provision for deferred income tax	(25,605)	61,595	(75,860)
Amortizations (accretions) on investment securities - net	231,602	132,532	128,456
Net realized (gains) losses from sales of investment debt securities available-for-sale	(142,601)	6,211	-
Amortization of deferred gain on sale-leaseback transaction	(33,756)	(16,920)	-
Net realized (gains) losses from sales of other real estate owned	10,000	-	15,000
Other real estate owned writedown	-	25,000	-
(Increase) decrease in accrued interest receivable	(65,063)	(49,655)	59,712
(Increase) decrease in cash surrender value - bank owned life insurance	(55,080)	(55,534)	(56,100)
(Increase) decrease in other assets	186,364	(184,060)	(34,338)
Increase (decrease) in accrued interest payable	(23,512)	34,969	19,396
Increase (decrease) in other liabilities	11,461	(142,183)	138,481
Total adjustments	300,125	288,822	640,380
Net cash provided (used) by operating activities	1,077,881	798,933	1,493,524
Cash flows from investing activities			
Net (increase) decrease in time deposits	-	(1,500,000)	(250,000)
Purchases of investment debt securities available-for-sale	(47,618,150)	(21,605,695)	(1,000,000)
Proceeds from maturities and calls of investment debt securities available-for-sale	15,440,000	6,985,000	3,050,000
Proceeds from principle payments on investment debt securities available-for-sale	1,919,183	306,651	-
Proceeds from sales of investment debt securities available-for-sale	6,061,471	2,993,400	-
Purchases of Federal Home Loan Bank stock	(800)	-	-
Redemptions of Federal Home Loan Bank stock	-	500	2,800
Net (increase) decrease in loans	7,688,488	9,123,647	(23,753)
Proceeds from sales of other real estate owned	25,000	-	65,000
Proceeds from sale-leaseback transaction	-	100,000	-
Capital expenditures	(187,389)	(108,313)	(125,762)
Net cash provided (used) by investing activities	(16,672,197)	(3,704,810)	1,718,285
Cash flows from financing activities			
Net increase (decrease) in total deposits	14,072,862	8,492,901	(6,102,226)
Net increase (decrease) in advance payments from borrowers for taxes and insurance	(8,745)	(4,928)	(12,014)
Purchases of treasury stock	-	-	(1,576,768)
Cash dividends paid	(184,453)	(184,453)	(197,160)
Net cash provided (used) by financing activities	13,879,664	8,303,520	(7,888,168)
Net increase (decrease) in cash and cash equivalents	(1,714,652)	5,397,643	(4,676,359)
Cash and cash equivalents at beginning of year	13,120,520	7,722,877	12,399,236
Cash and cash equivalents at end of year	**$ 11,405,868**	**$ 13,120,520**	**$ 7,722,877**

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

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020
(Continued)

	2020	2019	2018
Supplemental schedule of noncash investing and financing activities			
Loans transferred to other real estate owned	$ 725,000	$ 60,000	$ 80,000
Loan origination from sale-leaseback transaction	$ -	$ 150,000	$ -
Supplemental disclosure of cash flows information			
Cash paid during the year for			
Interest	$ 761,230	$ 707,497	$ 360,274
Income taxes	$ 40,997	$ 276,866	$ 107,616

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of operations - West-Central Bancorp, Inc. (the Bancorp) is a bank holding company whose wholly owned bank subsidiary, First Neighborhood Bank, Inc. (the Bank), is a commercial bank with operations in Spencer and Parkersburg, West Virginia. The Bank provides retail and commercial loans and deposit services principally to customers in Roane and Wood counties in West Virginia and surrounding counties. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the West Virginia Division of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC). The Bancorp's other subsidiary, West Central Insurance, LLC, had no significant operations during the years ended December 31, 2020, 2019, and 2018.

Basis of financial statement presentation - The accounting and reporting policies of the Bancorp and its Subsidiaries conform with accounting principles generally accepted in the United States of America and with general practices followed within the banking industry.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of West-Central Bancorp, Inc. and its Subsidiaries, First Neighborhood Bank, Inc. and West Central Insurance, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates, such as the allowance for loan losses, are based on known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. Actual results could differ from those estimates.

Comprehensive income - Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, are reported as a separate component of the shareholders' equity section of the balance sheets. Such items, along with net income, are components of comprehensive income.

Presentation of cash flows - For the purpose of reporting cash flows, the Bancorp and its Subsidiaries have defined cash and cash equivalents as those amounts included in the consolidated balance sheets captions "Cash and due from banks" and "Interest-earning deposits in other banks," which have original maturities of ninety (90) days or less, and "Federal funds sold." Generally, federal funds are sold for one-day periods.

Investment securities - It is the policy of the Bank to prohibit the use of their respective investment accounts to maintain a trading account or to speculate in securities that would demonstrate management's intent to profit from short-term price movements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Debt securities are classified as held-to-maturity when management has both the intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts computed by the interest method. There are no securities classified as held-to-maturity in the accompanying consolidated financial statements.

Debt securities not classified as held-to-maturity or as trading are classified as available-for-sale. Securities available-for-sale are carried at estimated fair value based on information provided by a third party pricing service, with unrealized gains and losses, net of the deferred income tax effect, reported in accumulated other comprehensive income. Realized gains and losses on debt securities available-for-sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of income tax, in other comprehensive income. The cost of securities sold is determined on the specific-identification method. Purchase premiums are amortized to the earliest call date, while discounts on purchased debt securities are accreted to maturity. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method.

Declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans - The Bank grants commercial, mortgage, and installment loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout West Virginia. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans are stated at the amount of unpaid principal balances, less the allowance for loan losses.

Interest on loans is accrued based on principal amounts outstanding.

Allowance for loan losses - The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio. The Bank uses a disciplined process and methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to the (1) commercial portfolio, (2) mortgage portfolio, and (3) installment portfolio.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to, or release balances from, the allowance for loan losses. The Bank's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced senior credit officers.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Troubled debt restructurings (TDRs) - A restructuring of debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The determination of whether a concession has been granted includes an evaluation of the debtor's ability to access funds at a market rate for debt with similar risk characteristics and among other things, the significance of the modification relative to unpaid principal or collateral value of the debt, and/or the significance of a delay in the timing of payments relative to the frequency of payments, original maturity date or the expected duration of the loan. The most common concessions granted generally include one or more modifications to the terms of the debt such as a reduction in the interest rate for the remaining life of the debt, an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or reduction of the unpaid principal or interest. All TDRs are considered impaired loans.

Premises and equipment - Land is carried at cost. Bank buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed primarily using the straight-line, 150% declining balance, or double declining balance methods for financial reporting purposes over the estimated useful lives of the respective assets, which range from 3 to 10 years for equipment and 10 to 50 years for buildings and improvements. Useful lives are revised when a change in life expectancy becomes apparent.

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations as realized.

Other real estate owned - Real estate acquired through, or in lieu of, loan foreclosure is held-for-sale and is initially recorded at the lower of the Bank's cost (book value) or fair value less estimated selling costs at the date of foreclosure. Any writedowns based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management, and any subsequent writedowns are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower new fair value less costs to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding the property are expensed. The portion of interest costs relating to development of real estate is capitalized.

Advertising - The Bancorp and its Subsidiaries' policy is to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2020, 2019, and 2018 were $68,048, $74,489, and $75,996, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Income taxes - Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of securities available-for-sale, supplemental employee benefit plans, subsequent loss writedowns on other real estate owned, the allowance for loan losses, and accumulated depreciation for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. Valuation limitation reserves are established, as deemed necessary, and adjusted periodically on certain deferred tax assets to reflect estimated recoverability of the asset in a reasonable time period. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Bancorp and its Subsidiaries file consolidated federal and state tax returns. Tax allocation arrangements between the Bancorp and its Subsidiaries follow the policy of determining federal and state income taxes as if the Subsidiaries filed separate federal and state income tax returns.

Employee benefit plans - The Bank has a profit-sharing plan and an employee stock ownership plan (ESOP), which covers substantially all employees. The amount of the contributions to the plans is at the discretion of the Bank's Board of Directors.

Earnings per share - Earnings per share of common stock are computed based upon the weighted average number of shares of common stock outstanding during the period. The weighted-average shares outstanding were 184,453, 184,453, and 208,828 shares for the years ended December 31, 2020, 2019, and 2018, respectively. During each of the three years in the period ended December 31, 2020, the Bancorp did not have any potentially dilutive securities.

Fair value measurements - The Bancorp and its Subsidiaries follow the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurements*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Revenue from contracts with customers - In the ordinary course of business, the Bancorp and its Subsidiaries recognize income from various revenue generating activities. Certain revenues are generated from contracts with customers where such revenues are recognized when, or as, services or products are transferred to customers for amounts to which the Bancorp and its Subsidiaries expect to be entitled. Certain specific policies related to revenue recognition from contracts with customers include:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Services fees

Service fees include charges related to depository accounts under standard service agreements. Fees are generally recognized as services are delivered to or consumed by the customer or as penalties are assessed.

Credit and Debit Card Revenue

Credit and debit card revenue includes interchange fees from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Bancorp and its Subsidiaries records interchange fees as services are provided. Transaction and account management fees are recognized as services are provided, except for annual fees which are recognized over the applicable period. The costs of related loyalty rewards programs are netted against interchange revenue as a direct cost of the revenue generating activity.

<u>Sale-leaseback transaction</u> - The Bank is party to an arrangement in which it sold assets to a related party and immediately leased a portion of those assets back from the related party. Because the Bank has continued involvement in the assets sold, the transaction is accounted for as a sale-leaseback whereby the gain on the sale of the assets is deferred and will be recognized over the term of the related lease agreement. Under the arrangement, the Bank pays a fixed minimum lease payment.

<u>Coronavirus (COVID-19) Pandemic</u> - During 2020, economies throughout the world have been severely disrupted by the effects of the quarantines, business closures, and the reluctance of individuals to leave their homes as a result of the outbreak of COVID-19. The full impact of COVID-19 is unknown and continues to evolve. The outbreak and any preventative or protective actions that the Bancorp and its Subsidiaries or its customers may take in respect to this virus may result in a period of disruption, including the Bancorp and its Subsidiaries' financial reporting capabilities, its operations generally and could potentially impact the Bancorp and its Subsidiaries' customers, providers, and third parties. Any resulting financial impact cannot be reasonably estimated at this time, but may materially affect the business and the Bancorp and its Subsidiaries' financial condition and results to operations. The extent to which the COVID-19 impacts the Bancorp and its Subsidiaries' results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain the virus or treat its impact, among others.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain refundable employee retention credits. The CARES Act also established the Paycheck Protection Program (PPP), to be administered by the U.S. Small Business Administration (SBA), whereby certain small businesses are eligible for a loan with an interest rate of 1% to fund payroll expenses, rent, and related costs. The PPP loan may be forgiven if the funds are used for payroll and other qualified expenses. The Bancorp and its Subsidiaries are actively participating with the PPP, evaluating other programs available to assist our customers, and providing deferrals consistent with government-sponsored enterprise (GSE) guidelines.

NOTE 2 - RESTRICTION ON CASH AND DUE FROM BANKS

The Bank met the requirement to maintain reserve funds by either cash on hand or cash on deposit with the Federal Reserve Bank as of December 31, 2020 and 2019.

NOTE 3 - INVESTMENT SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of investment securities as of December 31, 2020 and 2019 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Debt securities available-for-sale				
U.S. government and federal agencies	$ 22,993,605	$ 45,107	$ (131,259)	$ 22,907,453
Mortgage-backed securities	2,037,120	-	(12,444)	2,024,676
State, county, and municipal – nontaxable	20,978,482	681,677	(13,868)	21,646,291
State, county, and municipal – taxable	7,310,434	63,572	(8,274)	7,365,732
Total	$ 53,319,641	$ 790,356	$ (165,845)	$ 53,944,152
December 31, 2019				
Debt securities available-for-sale				
U.S. government and federal agencies	$ 7,000,000	$ 3,843	$ (54,525)	$ 6,949,318
Mortgage-backed securities	7,880,013	23,896	(13,741)	7,890,168
State, county, and municipal – nontaxable	12,687,758	81,655	(36,011)	12,733,402
State, county, and municipal – taxable	1,643,375	17,373	-	1,660,748
Total	$ 29,211,146	$ 126,767	$ (104,277)	$ 29,233,636

The caption “Other securities” in the consolidated balance sheets consists of Federal Home Loan Bank stock. This restricted equity security is carried at cost since it may only be sold back to the Federal Home Loan Bank or another member at par value.

NOTE 3 - INVESTMENT SECURITIES (Continued)

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

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2020						
Debt securities available-for-sale						
U.S. government and federal agencies	$ 13,862,345	$ (131,259)	$ -	$ -	$ 13,862,345	$ (131,259)
Mortgage-backed securities	2,024,676	(12,444)	-	-	2,024,676	(12,444)
State, county, and municipal – nontaxable	621,770	(13,868)	-	-	621,770	(13,868)
State, county, and municipal – taxable	1,852,607	(8,274)			1,852,607	(8,274)
Total	$ 18,361,398	$ (165,845)	$ -	$ -	$ 18,361,398	$ (165,845)
December 31, 2019						
Debt securities available-for-sale						
U.S. government and federal agencies	$ 5,945,475	$ (54,525)	$ -	$ -	$ 5,945,475	$ (54,525)
Mortgage-backed securities	3,526,016	(13,741)	-	-	3,526,016	(13,741)
State, county, and municipal – nontaxable	4,947,298	(36,011)	-	-	4,947,298	(36,011)
Total	$ 14,418,789	$ (104,277)	$ -	$ -	$ 14,418,789	$ (104,277)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Impairment is evaluated considering numerous factors and their relative significance varies from case to case. Factors considered include the length of time and extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; and the intent and ability to retain the security in order to allow for an anticipated recovery in fair value.

As of December 31, 2020, the twenty-two (22) debt securities with unrealized losses have depreciated approximately 0.90% from the Bank's amortized cost basis. These securities are predominately rated investment grade securities and the unrealized losses are due to the current interest rate environment and not due to any underlying credit concerns of the issuers. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies or by a state or political subdivision, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future, if classified as available-for-sale, no declines are deemed to be other-than-temporary.

NOTE 3 - INVESTMENT SECURITIES (Continued)

The amortized cost and fair values of securities as of December 31, 2020, are summarized by contractual maturity as follows:

	Debt Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,556,117	$ 1,568,419
Due after one year through five years	3,848,849	3,927,471
Due after five years through ten years	25,914,541	25,845,193
Due after ten years	22,000,135	22,603,069
Total	$ 53,319,641	$ 53,944,152

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities pledged to secure public deposits and for other purposes required or permitted by law had a carrying value of $4,172,968 and $3,990,603 as of December 2020 and 2019, respectively.

The following is a summary of the proceeds from sales of investment debt securities available-for-sale and the related gross realized gains and losses:

	Proceeds	Gross Realized Gains	Gross Realized Losses
Year ended December 31,			
2020	$ 6,061,471	$ 142,601	$ -
2019	2,993,400	-	(6,211)
2018	-	-	-

NOTE 4 - BANK OWNED LIFE INSURANCE

The Bank invested in whole life insurance contracts on the lives of four (4) current and former officers who have provided positive consent allowing the Bank to be named beneficiary of these insurance contracts. These policies are recorded at their cash surrender values, which are presented in the consolidated balance sheets as “Cash surrender value - bank owned life insurance.” These contracts are insurance products of Nationwide Insurance and NFP Executive Benefits and consist of seven (7) policies. These policies have a stated aggregate death benefit as of December 31, 2020 and 2019 of $5,598,543 and $5,622,005, respectively, and aggregate cash surrender values of $3,336,891 and $3,281,811 as of December 31, 2020 and 2019, respectively.

These policies were funded by premium payments of $2,292,680. Cash surrender value increases to the carrying amounts of the policies are recognized as income of $55,080, $55,534, and $56,100 for the years ended December 31, 2020, 2019, and 2018, respectively.

NOTE 5 - LOANS

The composition of recorded investment in loans by segment is as follows:

	December 31, 2020	December 31, 2019
Commercial	$ 46,716,568	$ 50,634,403
Commercial - PPP	566,222	-
Mortgage	31,777,687	36,349,078
Installment	2,793,206	3,193,795
Total loans	81,853,683	90,177,276
Less: allowance for loan losses	(1,027,825)	(897,930)
Loans - net	$ 80,825,858	$ 89,279,346

As of December 31, 2020 and 2019, overdrafts from deposit accounts of $32,863 and $43,044, respectively, are included within the appropriate loan segment above.

As of December 31, 2019, the Bank had direct extensions of credit to entities in the oil and gas industry totaling approximately $1,854,234, and unfunded commitments to lend totaling $2,966,382. These outstanding loans consist of installment contracts repayable over periods ranging from 1 to 120 months, generally secured by liens on equipment; and line-of-credit arrangements payable upon demand, secured primarily by one or more of the following: pledges of accounts receivable or inventories, real estate, or personal guarantees. The Bank evaluates each such customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based upon management's credit evaluation. The Bank had no concentrations in direct extensions of credit to entities in the oil and gas industry as of December 31, 2020.

The commercial loan segment includes loans originated through the recently created SBA PPP loans. Credit risk is heightened as this SBA program mandates that these loans require no collateral and no guarantors of the loans. However, the loans are backed by a full guaranty of the SBA, so long as the loans were originated in accordance with the program guidelines. Additionally, these loans are eligible for full forgiveness by the SBA so long as the borrowers comply with the program guidelines as it pertains to their eligibility to borrow these funds, as well as their use of the funds. The Bancorp and its Subsidiaries originated 28 PPP loans with original balances of $3,610,285 and outstanding balances of $566,222 as of December 31, 2020.

Under the terms of the program, the SBA will pay the lender a processing fee tiered by the size of the loan (5% for loans less than $350,000; 3% for loans greater than $350,000 but less than $2.0 million; and 1% for loans greater than $2.0 million). The Bancorp and its Subsidiaries recognized $129,245 in PPP loan related processing fees, net of associated expenses during the year ended December 31, 2020.

NOTE 5 - LOANS (Continued)

In the ordinary course of business, the Bancorp and its Subsidiaries have and expect to continue to have transactions, including borrowings, with its officers, directors, and their affiliates. In the opinion of management, such transactions were on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time of comparable transactions with other customers and did not involve more than a normal credit risk of collectability or present any other unfavorable features to the Bancorp and its Subsidiaries. Loans to such borrowers are summarized as follows:

	December 31,	
	2020	2019
Balance at beginning of year	$ 6,354,308	$ 7,965,656
Repayments	(309,855)	(2,422,748)
Borrowings	66,037	811,400
Balance at end of year	$ 6,110,490	$ 6,354,308

NOTE 6 - CREDIT QUALITY

Management monitors the credit quality of loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of the loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when full collection of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest income generally is discontinued when a loan becomes 90 days or more past due as to principal or interest, unless the loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days). When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. The Bank's method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or to apply the cash receipt to principal when the ultimate collectability of the principal is in doubt. Management may elect to continue the accrual of interest when the estimated net realized value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been paid.

The following table sets forth the Bank's age analysis of its past due loans, segregated by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Total Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
December 31, 2020							
Secured by real estate							
Construction	$ -	$ -	$ -	$ -	$ 1,885,061	$ 1,885,061	$ -
Farmland	-	-	-	-	131,315	131,315	-
Residential	1,446,874	61,259	53,058	1,561,191	43,292,660	44,853,851	53,058
Commercial	-	-	-	-	21,515,972	21,515,972	-
Commercial and industrial	38,716	-	445,778	484,494	9,091,548	9,576,042	445,778
Consumer	27,631	23,331	-	50,962	3,429,772	3,480,734	-
Government	-	-	-	-	410,708	410,708	-
Total	$ 1,513,221	$ 84,590	$ 498,836	$2,096,647	$ 79,757,036	$ 81,853,683	$ 498,836
December 31, 2019							
Secured by real estate							
Construction	$ 156,250	$ -	$ -	$ 156,250	$ 1,121,154	$ 1,277,404	$ -
Farmland	-	9,265	-	9,265	558,375	567,640	-
Residential	-	61,315	65,090	126,405	49,743,917	49,870,322	65,090
Commercial	-	-	-	-	25,147,281	25,147,281	-
Commercial and industrial	11,484	-	-	11,484	8,903,414	8,914,898	-
Consumer	10,908	14	1,161	12,083	3,942,832	3,954,915	1,161
Government	-	-	-	-	444,816	444,816	-
Total	$ 178,642	$ 70,594	$ 66,251	$ 315,487	$ 89,861,789	$ 90,177,276	$ 66,251

The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due.

NOTE 6 - CREDIT QUALITY (Continued)

The following table sets forth the Bank's nonaccrual loans, segregated by class of loans:

	December 31, 2020	December 31, 2019
Secured by real estate		
Construction	$ -	$ -
Farmland	-	-
Residential	-	-
Commercial	-	-
Commercial and industrial	-	-
Consumer	-	-
Government	-	-
Total	$ -	$ -

There are no loans modified as TDRs during the year ended December 31, 2020.

The following table sets forth the Bank's troubled debt restructurings (TDRs) modified during the year ended December 31, 2019, segregated by class of loans:

December 31, 2019	Number of Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer	2	$ 17,297	$ 17,297
Total	2	$ 17,297	$ 17,297

The two loans restructured during 2019 were for a single borrower. The loans were modified by a consolidation of credit to extend the term of the loan.

There have been no loans modified as TDRs within the previous twelve months that have subsequently defaulted as of December 31, 2020.

As of December 31, 2020, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

Among many other components, the CARES Act provides for payment forbearance on mortgages or loans to borrowers experiencing a hardship during the COVID-19 pandemic. Regulatory guidance was issued that clarified the accounting for loan modifications. Modifications of loan terms do not automatically result in a TDR. Short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extension of repayment terms, or other delays that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time the modification program was implemented. During 2020, the Bancorp and its Subsidiaries offered three month deferral plans to loan customers. However, these deferrals do not absolve the Bancorp and its Subsidiaries from performing its normal risk rating and therefore a loan could be current and have a less than satisfactory risk rating.

NOTE 6 - CREDIT QUALITY (Continued)

The Bank assigns credit quality indicators of pass, special mention, substandard, doubtful, and loss to its loans. The loans are internally assigned a grade based on a combination of the known creditworthiness of the borrower and on the loan's delinquency status. The Bank updates these grades on a quarterly basis.

A loan classified as pass has strong asset quality and liquidity along with a multi-year track record of profitability.

A loan classified as special mention has potential weaknesses that deserve management's close attention. If left unmonitored, these potential weaknesses may result in deterioration of the repayment prospects for such loans or in the borrower's credit position at some future date. Adverse economic or market conditions may also support a special mention rating. Other nonfinancial reasons for rating a credit exposure as special mention can include known borrower problems, pending litigation, or lending agreement issues.

A loan classified as substandard contains weaknesses that, if left uncorrected, create some degree of doubt as to the likelihood of full collection of principal and interest. These loans require intensive supervision by management. Such loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants.

A loan classified as doubtful exhibits all the weaknesses inherent in one classified as substandard with the additional characteristic that the weaknesses make its collection in full, based on currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the credit, its classification as loss is deferred at the present time. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain operationally solvent. Specific pending events may include mergers, acquisitions, liquidations, capital injections, the perfection of liens of additional collateral, the valuation of collateral, and refinancing. Loans classified as doubtful are also considered impaired. Generally, consumer credit exposures are charged off prior to being classified as doubtful.

A loan classified as a loss is considered uncollectible. This classification does not guarantee that the loan has no recovery or salvage value, but rather it is not practical or desirable to defer charging off the loan even though partial recovery may be affected in the future.

NOTE 6 - CREDIT QUALITY (Continued)

The following table sets forth the Bank's credit quality indicators information, segregated by class of loans:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2020						
Secured by real estate						
Construction	$ 1,885,061	$ -	$ -	$ -	$ -	$ 1,885,061
Farmland	131,315	-	-	-	-	131,315
Residential	44,632,658	-	221,193	-	-	44,853,851
Commercial	21,375,310	-	140,662	-	-	21,515,972
Commercial and industrial	9,287,011	289,031	-	-	-	9,576,042
Consumer	3,480,734	-	-	-	-	3,480,734
Government	410,708	-	-	-	-	410,708
Total	$ 81,202,797	$ 289,031	$ 361,855	$ -	$ -	$ 81,853,683
December 31, 2019						
Secured by real estate						
Construction	$ 1,276,403	$ 1,001	$ -	$ -	$ -	$ 1,277,404
Farmland	567,640	-	-	-	-	567,640
Residential	49,635,531	-	234,791	-	-	49,870,322
Commercial	24,374,664	-	772,617	-	-	25,147,281
Commercial and industrial	8,586,731	328,167	-	-	-	8,914,898
Consumer	3,954,915	-	-	-	-	3,954,915
Government	444,816	-	-	-	-	444,816
Total	$ 88,840,700	$ 329,168	$ 1,007,408	$ -	$ -	$ 90,177,276

NOTE 6 - CREDIT QUALITY (Continued)

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, such loans have exhibited a sustained period of delinquency or there have been significant events (such as bankruptcy, eminent foreclosure, or natural disasters) that impact repayment probability. Impairment is evaluated on an individual loan basis. Consistent with the Bank's existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The following table sets forth the Bank's impaired loans information, segregated by class of loan:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2020					
With no related allowance recorded					
Secured by real estate					
Construction	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	26,073	26,073	-	28,629	2,280
Commercial and industrial	-	-	-	-	-
Consumer	10,687	10,687	-	14,168	924
Government	-	-	-	-	-
With an allowance recorded					
Secured by real estate					
Construction	-	-	-	-	-
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Government	-	-	-	-	-
Total	$ 36,760	$ 36,760	$ -	$ 42,797	$ 3,204

NOTE 6 - CREDIT QUALITY (Continued)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2019					
With no related allowance recorded					
Secured by real estate					
Construction	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	641,100	641,100	-	340,142	34,908
Commercial and industrial	-	-	-	-	-
Consumer	17,650	17,650	-	8,825	-
Government	-	-	-	-	-
With an allowance recorded					
Secured by real estate					
Construction	-	-	-	-	-
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Government	-	-	-	-	-
Total	$ 658,750	$ 658,750	$ -	$ 348,967	$ 34,908

NOTE 7 - ALLOWANCE FOR LOAN LOSSES

The following is an analysis of the allowance for loan losses for the years ended:

	December 31,		
	2020	2019	2018
Balance at beginning of year	$ 897,930	$ 1,062,056	$ 846,317
Loans charged off	(23,135)	(453,914)	(140,230)
Recoveries of loans previously charged off	113,030	4,788	123,969
Provision for loan losses	40,000	285,000	232,000
Balance at end of year	$ 1,027,825	$ 897,930	$ 1,062,056

NOTE 7 - ALLOWANCE FOR LOAN LOSSES (Continued)

The allowance for loan losses is management's estimate of the probable loan losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance for loan losses and the appropriate provision for loan losses is based upon a quarterly evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows, estimated losses on pools of loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. Allocations are made for specific loans based upon management's estimate of the borrowers' ability to repay and other factors impacting collectability. Other loans not specifically reviewed are segregated by portfolio segment and allocations are made based upon historical loss percentages adjusted for current environmental factors. The environmental factors considered for each of the portfolio segments include estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet fully manifested themselves in loss allocation factors. In addition, a portion of the allowance account is for the inherent imprecision in the allowance for loan losses analysis. During 2020, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged off amounts are credited to the allowance for loan losses. When a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge off all or a portion of that loan.

Generally, any unsecured commercial loan that has reached 180 days delinquent in payment of interest must be charged off in full. If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is six months delinquent. Any commercial loan, secured or unsecured, on which a principal or interest payment has not been made within 90 days, is reviewed monthly for appropriate action.

First mortgage residential real estate loans, which are well-secured and in process of collection are to be charged off on or before becoming 365 days past due. Home equity and improvement loans are to be reviewed before they become 180 days past due, and are to be charged off unless they are well-secured and in process of collection. If well-secured and in process of collection, charge-off can be deferred until the loan is 365 days past due.

Consumer loans that are past due 120 cumulative days from the contractual due date are charged off. Any consumer loan on which a principal or interest payment has not been made within 90 days is reviewed monthly for appropriate action.

The Bancorp and its Subsidiaries have credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced, the SBA may deny the Bank's liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency.

The Bank considers the allowance for loan losses of $1,027,825 and $897,930 adequate to cover loan losses inherent in the loan portfolio as of December 31, 2020 and 2019, respectively. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

NOTE 7 - ALLOWANCE FOR LOAN LOSSES (Continued)

	Commercial	Mortgage	Installment	Unallocated	Total
December 31, 2020					
Allowance for loan losses					
Beginning balance	$ 674,012	$ 199,920	$ 28,267	$ (4,269)	$ 897,930
Charge-offs	(5,514)	-	(17,621)	-	(23,135)
Recoveries	112,448	-	582	-	113,030
Provision	(238,482)	(25,142)	21,328	282,296	40,000
Ending balance	542,464	174,778	32,556	278,027	1,027,825
Ending balance - individually evaluated for impairment	-	-	-	-	-
Ending balance - collectively evaluated for impairment	542,464	174,778	32,556	278,027	1,027,825
Financing receivables					
Ending balance	47,282,790	31,777,687	2,793,206		81,853,683
Ending balance - individually evaluated for impairment	26,073	-	10,687		36,760
Ending balance - collectively evaluated for impairment	$ 47,256,717	$ 31,777,687	$ 2,782,519		$ 81,816,923
December 31, 2019					
Allowance for loan losses					
Beginning balance	$ 726,440	$ 181,271	$ 14,720	$ 139,625	$ 1,062,056
Charge-offs	(448,441)	-	(5,473)	-	(453,914)
Recoveries	4,788	-	-	-	4,788
Provision	391,225	18,649	19,020	(143,894)	285,000
Ending balance	674,012	199,920	28,267	(4,269)	897,930
Ending balance - individually evaluated for impairment	-	-	-	-	-
Ending balance - collectively evaluated for impairment	674,012	199,920	28,267	(4,269)	897,930
Financing receivables					
Ending balance	50,634,403	36,349,078	3,193,795		90,177,276
Ending balance - individually evaluated for impairment	641,100	-	17,650		658,750
Ending balance - collectively evaluated for impairment	$ 49,993,303	$ 36,349,078	$ 3,176,145		$ 89,518,526

NOTE 8 - ACCRUED INTEREST RECEIVABLE

Accrued interest receivable consists of the following:

	December 31, 2020	December 31, 2019
Time deposits	$ 19,941	$ 25,693
Investment securities	245,266	177,789
Loans	188,740	185,402
Total	$ 453,947	$ 388,884

NOTE 9 - PREMISES AND EQUIPMENT

The major categories of premises and equipment are as follows:

	December 31, 2020	December 31, 2019
Land	$ 812,555	$ 812,555
Building and improvements	2,780,395	2,780,395
Furniture, fixtures, and equipment	2,018,533	2,436,880
Automobile	69,809	53,407
Total cost	5,681,292	6,083,237
Less: accumulated depreciation	(3,309,559)	(3,732,578)
Net	$ 2,371,733	$ 2,350,659

Depreciation expense for the years ended December 31, 2020, 2019, and 2018 totaled $166,315, $191,867, and $213,633, respectively.

NOTE 10 - OTHER REAL ESTATE OWNED

The following is a summary of activity of other real estate owned, expected to be disposed of in the near term, for the years ended:

	December 31, 2020	December 31, 2019
Balance at beginning of year	$ 35,000	$ -
Loan foreclosures and in lieu of foreclosures	725,000	60,449
Adjustment to carrying value		
At date of foreclosure or repossession	-	(449)
Subsequent fair value adjustment	-	(25,000)
Total foreclosed properties for disposition	760,000	35,000
Proceeds from sales of other real estate owned	25,000	-
Net realized (gains) losses on sales	10,000	-
Total basis of other real estate owned sold	35,000	-
Balance at end of year	$ 725,000	$ 35,000

Subsequent writedowns and realized gains and losses on the sale of other real estate owned are recognized in the "Other expense" caption in the consolidated statements of income.

NOTE 11 - DEPOSITS

Time deposits issued in denominations that meet or exceed the Federal Deposit Insurance Corporation (FDIC) limit of $250,000 or more totaled $5,402,847 and $4,222,167 as of December 31, 2020 and 2019, respectively.

As of December 31, 2020, the maturity distribution of time deposits is as follows:

2021	$ 25,149,383
2022	6,134,725
2023	2,016,324
2024	394,957
2025 and thereafter	2,210,242
Total	$ 35,905,631

The Bank held related party deposits of approximately $13,707,000 and $8,838,000 as of December 31, 2020 and 2019, respectively.

NOTE 12 - SHORT-TERM BORROWINGS

The Bank has obtained unsecured, uncommitted, borrowing facilities for the purchase of federal funds in the amounts of $4,500,000 from CenterState Bank of Florida, N.A. and $2,000,000 from Pacific Coast Bankers' Bank (PCBB). Any borrowings bear an interest rate which is determined at the time of each advance. Requests for advances under these facilities are subject to CenterState Bank and PCBB's sole and absolute discretion, including, without limitation, the availability of funds. There were no borrowings outstanding as of December 31, 2020 and 2019, respectively.

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank has an open line of credit commitment from the FHLB. Any advances bear interest at the interest rate posted by the FHLB on the day of the borrowing and are subject to change daily. Any advances are secured by a blanket lien on certain loans secured by 1 to 4 family mortgages made by the Bank and other eligible collateral. As of December 31, 2020, no loans were pledged for collateral. In addition, the Bank has a maximum borrowing capacity with the FHLB of approximately $48,876,000 based on qualifying loan collateral. As of December 31, 2020 and 2019, there were no borrowings outstanding.

NOTE 13 - INCOME TAXES

The consolidated provision for income taxes consists of the following for the years ended:

	December 31,		
	2020	2019	2018
Current			
Federal	$ 88,937	$ 12,946	$ 190,101
State	28,560	16,920	44,515
	117,497	29,866	234,616
Deferred			
Federal	(20,680)	49,750	(61,275)
State	(4,925)	11,845	(14,585)
	(25,605)	61,595	(75,860)
Total income tax expense	$ 91,892	$ 91,461	$ 158,756

NOTE 13 - INCOME TAXES (Continued)

The consolidated provision for income taxes differs from the amounts computed by applying the U.S. federal statutory income tax rates to income before income tax expense as a result of the following:

	December 31,					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Federal statutory tax rate	$ 182,626	21.0%	$ 126,330	21.0%	$ 212,499	21.0%
Tax-exempt interest	(79,825)	(9.2)	(51,577)	(8.6)	(49,333)	(4.9)
Increase in cash surrender value of life insurance	(11,567)	(1.3)	(11,662)	(1.9)	(11,781)	(1.1)
State income taxes, net of federal tax benefit	18,672	2.1	22,724	3.8	23,645	2.3
Nondeductible expenses	3,291	0.4	2,003	0.3	1,735	0.2
Effect of other items	(21,305)	(2.5)	3,643	0.6	(18,009)	(1.8)
Reported effective tax rate	$ 91,892	10.5%	$ 91,461	15.2%	$ 158,756	15.7%

Deferred income taxes reflect the impact of “temporary differences” between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled.

Management believes that the Bank will generate sufficient future taxable income to realize the deferred tax assets. Management continually reviews the need for a valuation allowance and will recognize tax benefits only as reassessment indicates that it is more likely than not that the benefits will be realized.

Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

NOTE 13 - INCOME TAXES (Continued)

The tax effects of temporary differences which give rise to the Bancorp's deferred tax assets and liabilities are as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets		
Allowance for loan losses	$ 202,015	$ 168,242
Employee benefit plans	275,858	275,044
Deferred gain on sale-leaseback	30,718	39,495
Other real estate owned	-	6,500
Total deferred tax assets	508,591	489,281
Deferred tax liabilities		
Unrealized gains on investment debt securities available-for-sale	(169,000)	(6,000)
Accumulated depreciation	(19,811)	(26,106)
Total deferred tax liabilities	(188,811)	(32,106)
Net deferred tax assets	$ 319,780	$ 457,175

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Bancorp and its Subsidiaries and recognize a tax liability (or asset) if the Bancorp and its Subsidiaries have taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the Bancorp and its Subsidiaries, and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Bancorp files income tax returns in the United States federal jurisdiction and West Virginia state jurisdiction, and is subject to examination of those filings by the authorities representing those jurisdictions. There are no current examinations in process for any filings, and management believes that the Bancorp is not subject to audit for any years prior to 2017.

NOTE 14 - EMPLOYEE BENEFIT PLANS

Profit sharing and employee stock ownership plans - The Bank has a defined contribution profit sharing plan covering substantially all employees. The Bank's contributions under the profit sharing plan are funded with a trustee and are contingent upon the Bank achieving a minimum earnings level.

The Bank has an Employee Stock Ownership Plan (ESOP) which enables eligible employees to acquire shares of the Bancorp's common stock. The cost of the ESOP is borne by the Bank through annual contributions to an Employee Stock Ownership Trust, the trustees of which are also members of the Bancorp and its Subsidiary Bank's Board of Directors. The expense recognized by the Bank is based on cash contributed or committed to be contributed by the Bank to the ESOP during the year. Dividends made by the Bancorp to the ESOP are reported as a reduction to retained earnings. The ESOP owns 20,722 shares of the Bancorp's common stock as of December 31, 2020, all of which are considered outstanding for earnings per share computations.

NOTE 14 - EMPLOYEE BENEFIT PLANS (Continued)

The amount of the contributions to the profit-sharing plan and the ESOP are determined at the discretion of the Bank's Board of Directors in compliance with Internal Revenue Service limitations. Contributions have historically been made in the amount of 10% of the Bank's income before profit-sharing, ESOP, and income taxes. In the event this calculated contribution exceeds the amount allowable under current Internal Revenue Service regulations, the excess is distributed to the employees in the form of a cash bonus. Contributions to the plans, for the years ended December 31, 2020, 2019, and 2018, were $93,650, $64,000, and $111,000, respectively. During 2020, the Bank's Board of Directors elected to terminate the ESOP effective December 31, 2020 and all contributions will cease after this date.

Executive supplemental income plan - The Bank has entered into a nonqualified supplemental income plan with certain current and former senior officers that provide these participating officers with an income benefit payable at retirement age or death. The liabilities accrued for the Executive Supplemental Income Plan as of December 31, 2020 and 2019, were $1,060,994 and $1,057,862, respectively, which are included in other liabilities in the accompanying consolidated balance sheets. In addition, the Bank has purchased certain insurance contracts to fund the liabilities arising under this plan. As of December 31, 2020 and 2019, the cash surrender value of these insurance contracts was $3,336,891 and $3,281,811, respectively.

NOTE 15 - RESTRICTIONS ON BANK DIVIDENDS

The payment of dividends to shareholders by the Bancorp is not encumbered by any restrictive provisions. There are, however, limitations set by law on the amount of funds available to the Bancorp from its Subsidiary Bank. Dividends may be paid out of funds legally available subject to the restrictions set forth in West Virginia Code, Section 31-A-4-25, which provides that prior approval of the West Virginia Commissioner of Financial Institutions is required if the total of all dividends declared by a state bank in any calendar year will exceed the bank's net profits for that year combined with its retained net profits for the preceding two years. The amount of funds legally available for distribution of dividends by the Bank to the Bancorp without prior approval from regulatory authorities for 2020 was approximately $194,737, less $184,453, which was distributed by December 31, 2020.

NOTE 16 - REGULATORY CAPITAL MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by their primary 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. Failure to meet capital requirements can initiate regulatory action. Management believes, as of December 31, 2020 and 2019, that the Bancorp and the Bank meet all the capital adequacy requirements to which they are 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. As of December 31, 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 Bank's category.

NOTE 16 - REGULATORY CAPITAL MATTERS (Continued)

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure for 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 during the first quarter of 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 a 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 required 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 restrictions. As of December 31, 2020, both the Bancorp and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

NOTE 16 - REGULATORY CAPITAL MATTERS (Continued)

The following tables present the Bancorp and the Bank's actual and required capital amounts and capital ratios as of December 31, 2020 and 2019, respectively.

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount (Thousands)	Ratio	Amount (Thousands)	Ratio
As of December 31, 2020				
Leverage – (Tier 1 capital to average total assets)				
Consolidated	$ 16,135	10.13%	$ N/A	≥ N/A
Subsidiary Bank	$ 16,040	10.07%	$ 12,739	≥ 8.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount (Thousands)	Ratio	Amount (Thousands)	Ratio	Amount (Thousands)	Ratio
As of December 31, 2019						
Total capital (to risk-weighted assets)						
Consolidated	$ 16,440	19.07%	$ 6,895	≥ 8.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 16,368	19.00%	$ 6,892	≥ 8.00%	$ 8,614	≥ 10.00%
Tier 1 capital (to risk-weighted assets)						
Consolidated	$ 15,542	18.03%	$ 5,171	≥ 6.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 15,470	17.96%	$ 5,169	≥ 6.00%	$ 6,892	≥ 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Consolidated	$ 15,542	18.03%	$ 3,879	≥ 4.50%	$ N/A	≥ N/A
Subsidiary Bank	$ 15,470	17.96%	$ 3,876	≥ 4.50%	$ 5,599	≥ 6.50%
Leverage capital (to adjusted average total assets)						
Consolidated	$ 15,542	10.86%	$ 5,725	≥ 4.00%	$ N/A	≥ N/A
Subsidiary Bank	$ 15,470	10.81%	$ 5,723	≥ 4.00%	$ 7,154	≥ 5.00%

NOTE 17 - LEASES AND SALE-LEASEBACK TRANSACTION

During 2019, the Bank entered into a sales arrangement with a related party for the sale of the Spencer main bank building. Certain owners of the related party are either directors or shareholders of the Bancorp. Simultaneous with the closing of the sale, the Bank entered into a lease transaction with the related party to lease a portion of the building. Under the arrangement, the building, with a net book value of $81,178, was sold for $250,000 and leased back under a five year operating lease. The Bank received cash of $100,000 at the time of sale and the remaining purchase price of $150,000 was financed by the Bank. As a result of the transaction, a gain in the amount of $168,822 has been deferred and will be recognized over the term of the related lease agreement. As of December 31, 2020 and 2019, a deferred gain in the amount of $118,146 and $151,902, respectively, is reported in the “Other liabilities” caption on the consolidated balance sheets. The portion of the gain recognized by the Bank for the years ended December 31, 2020 and 2019 was $33,756 and $16,920, respectively. Under the terms of the operating lease agreement, the Bank is required to make a monthly rental payment of $9,000 over the term of five years. Rent expense under the lease was $108,000 and $54,000 for the year ended December 31, 2020 and 2019, respectively.

The Bank leases equipment under noncancellable operating lease agreements. Rent expense under those noncancellable operating leases approximated $20,695, $20,568, and $22,822, for the years ended December 31, 2020, 2019, and 2018, respectively.

Future minimum payments under noncancellable operating lease with initial or remaining terms of one year or more are as follows:

December 31,	
2021	$ 122,736
2022	114,336
2023	114,336
2024	60,336
2025	6,336
Thereafter	234
Total	$ 418,314

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

The Bancorp and its Subsidiary Bank have an executive benefit agreement with the current Chief Executive Officer. This agreement contains change in control provisions that would entitle the officer to receive a multiple of his annual compensation if there is a change in control in the Bancorp (as defined) and a termination of his employment under certain circumstances. The maximum contingent liability under this agreement approximates $679,000 as of December 31, 2020.

The Bank has contracted with a third-party service center to perform substantially all electronic data processing services for the Bank. Pursuant to this agreement, certain payments may become due if the agreement is terminated before April 2023. As of December 31, 2020, the contingent liability to the Bank’s service center is estimated to be approximately $555,000 plus the actual costs incurred in connection with the termination.

The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, there are no legal actions pending at the time of the audit report.

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

As a participating lender in the SBA PPP, the Bancorp and its Subsidiaries are subject to additional risks of litigation from customers or other parties regarding processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guarantees.

From time to time, the Bank maintains cash balances in other financial institutions exceeding the Federal Deposit Insurance Corporation's insured balance of up to $250,000.

NOTE 19 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Bank has outstanding commitments, contingent liabilities, and other financial instruments that are not reflected in the accompanying consolidated financial statements. These include commitments to extend credit, standby letters of credit, and overdraft protection, which are some of the instruments used by the Bank to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for these commitments is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments.

Commitments to extend credit - The Bank has outstanding firm commitments to extend credit as follows:

	December 31, 2020			December 31, 2019		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Real estate loans	$ -	$ 945,463	$ 945,463	$ 56	$ 2,046,312	$ 2,046,368
Installment loans	42,500	-	42,500	57,490	-	57,490
Commercial loans	1,414,487	-	1,414,487	1,406,149	-	1,406,149
Home equity loans	-	1,836,204	1,836,204	-	1,970,213	1,970,213
Commercial lines of credit	650,595	5,074,773	5,725,368	2,153,456	5,107,135	7,260,591
Total	$ 2,107,582	$ 7,856,440	$ 9,964,022	$ 3,617,151	$ 9,123,660	$ 12,740,811

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Certain commitments have fixed expiration dates, or other termination clauses, and may require payment of a fee. Many of the commitments are expected to expire without being drawn upon, accordingly, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral or other security obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment, or real estate.

Standby letters of credit - The Bank has commitments under standby letters of credit that totaled $285,000 and $418,913 as of December 31, 2020 and 2019, respectively.

NOTE 19 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (Continued)

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. These letters of credit are generally uncollateralized.

Overdraft protection - The Bank has an overdraft privilege product with qualified individual transaction account holders providing automatic payment of overdrafts up to a specified amount based on the type of account, charging the standard overdraft fee. The Bank had commitments of $978,905 and $1,027,432 as of December 31, 2020 and 2019, respectively.

NOTE 20 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an 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. Accounting guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Accordingly, investment debt securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or writedowns of individual assets.

NOTE 20 - FAIR VALUE MEASUREMENTS (Continued)

The following describes the valuation techniques used to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

Investment debt securities available-for-sale - Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or traded by dealers or brokers in active over-the-counter markets. Level 2 securities include securities issued by government sponsored entities, mortgage-backed securities, and municipal bonds. Level 3 securities include those with unobservable inputs. Transfers between levels can occur due to changes in the observability of significant inputs.

The following are assets and liabilities that were accounted for or disclosed at fair value on a recurring basis:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Debt securities available-for-sale				
U.S. government and federal agencies	$ 22,907,453	$ -	$ 22,907,453	$ -
Mortgage-backed securities	2,024,676	-	2,024,676	-
State, county, and municipal - nontaxable	21,646,291	-	21,646,291	-
State, county, and municipal - taxable	7,365,732	-	7,365,732	-
Total debt securities available-for-sale	$ 53,944,152	$ -	$ 53,944,152	$ -
December 31, 2019				
Debt securities available-for-sale				
U.S. government and federal agencies	$ 6,949,318	$ -	$ 6,949,318	$ -
Mortgage-backed securities	7,890,168	-	7,890,168	-
State, county, and municipal - nontaxable	12,733,402	-	12,733,402	-
State, county, and municipal - taxable	1,660,748	-	1,660,748	-
Total debt securities available-for-sale	$ 29,233,636	$ -	$ 29,233,636	$ -

NOTE 20 - FAIR VALUE MEASUREMENTS (Continued)

The following describes the valuation techniques used to measure certain assets and liabilities recorded at fair value on a nonrecurring basis in the financial statements.

Impaired loans - The Bank does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses may need to be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment. As of December 31, 2020, the fair value of substantially all of the impaired loans was estimated based on the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of the collateral, require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Bank records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the impaired loan as nonrecurring Level 3. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans.

Other real estate owned (OREO) - OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the consolidated balance sheet at the lower of the investment in the real estate or its fair value less estimated selling costs. The fair value of OREO is determined on a nonrecurring basis generally utilizing current appraisals performed by an independent, licensed appraiser applying an income or market value approach using observable market data (Level 2). However, if a current appraisal is not available, the original appraised value is discounted, as appropriate, to compensate for the estimated depreciation in the value of the real estate since the date of its original appraisal. Such discounts are generally estimated based upon management's knowledge of sales of similar property within the applicable market area and its knowledge of other real estate market-related data as well as general economic trends (Level 3). Upon foreclosure, any fair value adjustment is charged against the allowance for loan losses. Subsequent fair value adjustments are recorded in the period incurred and included in other noninterest expense in the consolidated statements of income.

NOTE 20 - FAIR VALUE MEASUREMENTS (Continued)

The following are assets and liabilities that were accounted for or disclosed at fair value on a nonrecurring basis:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Other real estate owned:				
Commercial	$ 725,000	$ -	$ -	$ 725,000
Total other real estate owned	$ 725,000	$ -	$ -	$ 725,000
December 31, 2019				
Other real estate owned:				
Residential	$ 35,000	$ -	$ -	$ 35,000
Total other real estate owned	$ 35,000	$ -	$ -	$ 35,000

The quantitative information about Level 3 fair value measurements for assets and liabilities measured at fair value on a nonrecurring basis is as follows:

Description	Fair Value	Valuation Technique	Significant Unobservable Input
December 31, 2020			
Other real estate owned:			
Commercial	$ 725,000	Appraisal of property	Appraisal adjustment
December 31, 2019			
Other real estate owned:			
Residential	$ 35,000	Appraisal of property	Appraisal adjustment

NOTE 21 - SUBSEQUENT EVENTS

On December 27, 2020, additional legislation approved a third tranche of PPP funding of $280 billion to begin in January 2021. The Bank plans to participate as a lender in the program. Management has evaluated the accompanying consolidated financial statements for subsequent events and transactions through February 23, 2021, the date these financial statements were available for issue, based on FASB ASC 855, *Subsequent Events*.

NOTE 22 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY

The following financial statements reflect the financial position, results of operations, and cash flows of West-Central Bancorp, Inc. (Parent Company Only).

CONDENSED BALANCE SHEETS

	December 31,	
	2020	2019
Assets		
Cash and due from banks (all from subsidiary bank)	$ 48,337	$ 25,798
Investment in subsidiaries (equity basis)	16,542,100	15,532,315
Total assets	$ 16,590,437	$ 15,558,113
Liabilities and shareholders' equity		
Total liabilities	$ -	$ -
Shareholders' equity		
Common stock (par value $1.00; 5,000,000 shares authorized; 350,860 shares issued; 184,453 shares outstanding as of December 31, 2020 and 2019, respectively)	350,860	350,860
Additional paid in capital	1,597,246	1,597,246
Retained earnings	18,394,899	17,801,596
Less: treasury stock, at cost (166,407 shares as of December 31, 2020 and 2019, respectively)	(4,208,079)	(4,208,079)
Accumulated other comprehensive income	455,511	16,490
Total shareholders' equity	16,590,437	15,558,113
Total liabilities and shareholders' equity	$ 16,590,437	$ 15,558,113

NOTE 22 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31,		
	2020	2019	2018
Income			
Dividend income from subsidiaries	$ 207,042	$ 206,100	$ 1,717,739
Total income	207,042	206,100	1,717,739
Expenses			
Other expenses	50	52	52
Total expenses	50	52	52
Income before income tax expense and equity in undistributed earnings of subsidiaries	206,992	206,048	1,717,687
Income tax expense	-	-	-
Income before equity in undistributed earnings of subsidiaries	206,992	206,048	1,717,687
Equity in undistributed earnings of subsidiaries	570,764	304,063	-
Equity distributions from subsidiaries	-	-	(864,543)
Net income	$ 777,756	$ 510,111	$ 853,144

NOTE 22 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities			
Net income	$ 777,756	$ 510,111	$ 853,144
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Equity in undistributed earnings of subsidiaries	(570,764)	(304,063)	-
Equity distributions from subsidiaries	-	-	864,543
Total adjustments	(570,764)	(304,063)	864,543
Net cash provided (used) by operating activities	206,992	206,048	1,717,687
Cash flows from financing activities			
Purchases of treasury stock	-	-	(1,576,768)
Cash dividends paid	(184,453)	(184,453)	(197,160)
Net cash provided (used) by financing activities	(184,453)	(184,453)	(1,773,928)
Net increase (decrease) in cash and cash equivalents	22,539	21,595	(56,241)
Cash and cash equivalents at beginning of year	25,798	4,203	60,444
Cash and cash equivalents at end of year	$ 48,337	$ 25,798	$ 4,203

Principal sources of income for the Bancorp are dividends received from its Subsidiaries. State law imposes limitations on the payment of dividends by the Subsidiary Bank of the Bancorp. A dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year’s net profits combined with the retained net profits of the two preceding years unless the bank obtains regulatory approval.

Loans and extensions of credit must be secured in specified amounts. The Bancorp had no borrowings outstanding from its Subsidiary Bank as of December 31, 2020.

NOTE 22 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

The Bancorp accounts for its investments in its Subsidiaries by the equity method. During the years ended December 31, 2020, 2019, and 2018, changes in the investments were as follows:

	West Central Insurance, LLC	First Neighborhood Bank, Inc.
Percent to total shares	100%	100%
Balance at December 31, 2017	$ 46,610	15,938,385
Add (deduct)		
Equity in net income	20,613	-
Equity distributions	-	832,583
Equity in other comprehensive income (loss)	-	(59,733)
Dividends declared	(20,613)	(1,697,126)
Balance at December 31, 2018		
Add (deduct)	46,610	15,014,109
Equity in net income	21,647	488,516
Equity in other comprehensive income	-	167,533
Dividends declared	(21,647)	(184,453)
Balance at December 31, 2019	46,610	15,485,705
Add (deduct)		
Equity in net income	22,589	755,217
Equity in other comprehensive income	-	439,021
Dividends declared	(22,589)	(184,453)
Balance at December 31, 2020	$ 46,610	$ 16,495,490

SUPPLEMENTARY INFORMATION

Suttle & Stalnaker
Certified Public Accountants
A Professional Limited Liability Company

INDEPENDENT AUDITOR'S REPORT ON
CONSOLIDATING INFORMATION

To the Board of Directors
West-Central Bancorp, Inc. and Subsidiaries
Spencer, West Virginia

We have audited the consolidated financial statements of West-Central Bancorp, Inc. and its Subsidiaries as of and for the year ended December 31, 2020, and have issued our report thereon dated February 23, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Suttle & Stalnaker, PLLC

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February 23, 2021

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WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
ASSETS					
Cash and due from banks	$ 48,337	$ 4,339,792	$ -	$ (48,337)	$ 4,339,792
Interest-earning deposits in other banks	-	411,076	-	-	411,076
Federal funds sold	-	6,655,000	-	-	6,655,000
Cash and cash equivalents	48,337	11,405,868	-	(48,337)	11,405,868
Time deposits	-	5,000,000	-	-	5,000,000
Investment securities					
Debt securities available-for-sale, at fair value	-	53,944,152	-	-	53,944,152
Other securities	-	67,100	-	-	67,100
Investment in subsidiaries	16,542,100	-	-	(16,542,100)	-
Loans	-	81,853,683	-	-	81,853,683
Less: allowance for loan losses	-	(1,027,825)	-	-	(1,027,825)
Loans - net	-	80,825,858	-	-	80,825,858
Accrued interest receivable	-	453,947	-	-	453,947
Premises and equipment - net	-	2,371,733	-	-	2,371,733
Other real estate owned	-	725,000	-	-	725,000
Cash surrender value - bank owned life insurance	-	3,336,891	-	-	3,336,891
Deferred income taxes	-	319,780	-	-	319,780
Other assets	-	139,552	46,610	-	186,162
Total assets	**$ 16,590,437**	**$ 158,589,881**	**$ 46,610**	**$ (16,590,437)**	**$ 158,636,491**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Demand - noninterest-bearing	$ -	$ 54,163,097	$ -	$ (48,337)	$ 54,114,760
Demand - interest-bearing	-	27,263,745	-	-	27,263,745
Savings	-	23,212,306	-	-	23,212,306
Time	-	35,905,631	-	-	35,905,631
Total deposits	-	140,544,779	-	(48,337)	140,496,442
Advance payments from borrowers for taxes and insurance	-	88,478	-	-	88,478
Accrued interest payable	-	59,306	-	-	59,306
Other liabilities	-	1,401,828	-	-	1,401,828
Total liabilities	-	142,094,391	-	(48,337)	142,046,054
Shareholders' equity					
Common stock	350,860	545,669	-	(545,669)	350,860
Additional paid in capital	1,597,246	1,500,000	-	(1,500,000)	1,597,246
Retained earnings	18,394,899	13,994,310	46,610	(14,040,920)	18,394,899
Less: treasury stock, at cost	(4,208,079)	-	-	-	(4,208,079)
Accumulated other comprehensive income	455,511	455,511	-	(455,511)	455,511
Total shareholders' equity	16,590,437	16,495,490	46,610	(16,542,100)	16,590,437
Total liabilities and shareholders' equity	**$ 16,590,437**	**$ 158,589,881**	**$ 46,610**	**$ (16,590,437)**	**$ 158,636,491**

Refer to the auditor's report on consolidating information.

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2020

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
Interest income					
Interest and fees on loans	$ -	$ 4,113,342	$ -	$ -	$ 4,113,342
Interest on deposits in other banks	-	136,228	-	-	136,228
Interest on federal funds sold	-	36,403	-	-	36,403
Interest and dividends on investment securities	-	809,114	-	-	809,114
Total interest income	-	5,095,087	-	-	5,095,087
Interest expense					
Interest on deposits	-	737,718	-	-	737,718
Total interest expense	-	737,718	-	-	737,718
Net interest income	-	4,357,369	-	-	4,357,369
Provision for loan losses	-	40,000	-	-	40,000
Net interest income after provision for loan losses	-	4,317,369	-	-	4,317,369
Noninterest income					
Service charges and fees	-	471,023	-	-	471,023
Increase in cash surrender value - bank owned life insurance	-	55,080	-	-	55,080
Net realized gains (losses) from sales of investment debt securities available-for-sale	-	142,601	-	-	142,601
Dividend income from subsidiaries	207,042	-	-	(207,042)	-
Equity in undistributed earnings of subsidiaries	570,764	-	-	(570,764)	-
Other income	-	65,602	22,589	-	88,191
Total noninterest income	777,806	734,306	22,589	(777,806)	756,895
Noninterest expense					
General and administrative					
Compensation and benefits	-	2,332,028	-	-	2,332,028
Occupancy and equipment	-	579,578	-	-	579,578
FDIC assessment	-	18,000	-	-	18,000
Data processing	-	504,024	-	-	504,024
Other expenses	50	770,936	-	-	770,986
Total noninterest expense	50	4,204,566	-	-	4,204,616
Income before income tax expense	777,756	847,109	22,589	(777,806)	869,648
Income tax expense	-	91,892	-	-	91,892
Net income	**$ 777,756**	**$ 755,217**	**$ 22,589**	**$ (777,806)**	**$ 777,756**

Refer to the auditor's report on consolidating information.

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
Cash flows from operating activities					
Net income	$ 777,756	$ 755,217	$ 22,589	$ (777,806)	$ 777,756
Adjustments to reconcile net income to net cash provided (used) by operating activities					
Equity in undistributed earnings of subsidiaries	(570,764)	-	-	570,764	-
Depreciation	-	166,315	-	-	166,315
Provision for loan losses	-	40,000	-	-	40,000
Provision for deferred income tax	-	(25,605)	-	-	(25,605)
Amortizations (accretions) on investment securities - net	-	231,602	-	-	231,602
Net realized (gains) losses from sales of investment debt securities available-for-sale	-	(142,601)	-	-	(142,601)
Amortization of deferred gain on sale-leaseback transaction	-	(33,756)	-	-	(33,756)
Net realized (gains) losses from sales of other real estate owned	-	10,000	-	-	10,000
(Increase) decrease in accrued interest receivable	-	(65,063)	-	-	(65,063)
(Increase) decrease in cash surrender value - bank owned life insurance	-	(55,080)	-	-	(55,080)
(Increase) decrease in other assets	-	186,364	-	-	186,364
Increase (decrease) in accrued interest payable	-	(23,512)	-	-	(23,512)
Increase (decrease) in other liabilities	-	11,461	-	-	11,461
Total adjustments	(570,764)	300,125	-	570,764	300,125
Net cash provided (used) by operating activities	206,992	1,055,342	22,589	(207,042)	1,077,881
Cash flows from investing activities					
Purchases of investment debt securities available-for-sale	-	(47,618,150)	-	-	(47,618,150)
Proceeds from maturities and calls of investment debt securities available-for-sale	-	15,440,000	-	-	15,440,000
Proceeds from principle payments on investment debt securities available-for-sale	-	1,919,183	-	-	1,919,183
Proceeds from sales of investment debt securities available-for-sale	-	6,061,471	-	-	6,061,471
Purchases of Federal Home Loan Bank stock	-	(800)	-	-	(800)
Net (increase) decrease in loans	-	7,688,488	-	-	7,688,488
Proceeds from sales of other real estate owned	-	25,000	-	-	25,000
Capital expenditures	-	(187,389)	-	-	(187,389)
Net cash provided (used) by investing activities	-	(16,672,197)	-	-	(16,672,197)

Refer to the auditor's report on consolidating information.

WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(Continued)

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
Cash flows from financing activities					
Net increase (decrease) in total deposits	$ -	$ 14,095,401	$ -	$ (22,539)	$ 14,072,862
Net increase (decrease) in advance payments from borrowers for taxes and insurance	-	(8,745)	-	-	(8,745)
Cash dividends paid	(184,453)	(184,453)	(22,589)	207,042	(184,453)
Net cash provided (used) by financing activities	(184,453)	13,902,203	(22,589)	184,503	13,879,664
Net increase (decrease) in cash and cash equivalents	22,539	(1,714,652)	-	(22,539)	(1,714,652)
Cash and cash equivalents at beginning of year	25,798	13,120,520	-	(25,798)	13,120,520
Cash and cash equivalents at end of year	**$ 48,337**	**$ 11,405,868**	**$ -**	**$ (48,337)**	**$ 11,405,868**
Supplemental schedule of noncash investing and financing activities					
Loans transferred to other real estate owned	$ -	$ 725,000	$ -	$ -	$ 725,000
Supplemental disclosure of cash flows information					
Cash paid during the year for					
Interest	$ -	$ 761,230	$ -	$ -	$ 761,230
Income taxes	$ -	$ 40,997	$ -	$ -	$ 40,997