2019 ANNUAL REPORT

EXECUTION

The carrying out or putting into effect a plan, order, or course of action.

As a thriving financial institution, Jonestown Bank & Trust Co. understands what it takes to build a stronger business. Set goals, then develop sound strategies to reach those goals. This may sound fundamental, but none of it matters without the third component – **Execution**. In fact, 2019 has been the year of focusing on the improvement of our execution of strategies large and small. Profitable business **growth**, the client **experience** with our Bank, and internal **processes** – these are the core areas on which we have focused. Every opportunity. Every decision. Every time. That's what it takes to ensure that you can **Bank on a Smile**® with JBT.

ROBESONIA, PA

JBT'S NEWEST LOCATION IS THE BANK'S FIRST BRANCH TO SERVE CLIENTS IN BERKS COUNTY. OPENING SPRING 2020.

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jbt Bank on a Smile.

BOARD OF DIRECTORS

Richard J. Newmaster, Jr. CPA
Chairman
Director since 2004

Chief Financial Officer, Lebanon Seaboard Corp.

Jeffrey L. Bohn
Vice Chairman
Director since 1987

Former Owner & President, JP Donmoyer, Inc.

Executive Director, Shining Light Ministries

Edward L. Anspach
Second Vice Chairman and Secretary
Director since 1987

President, Anspach Autos

Troy A. Peters
Director since 2016

President and Chief Executive Officer, Jonestown Bank & Trust Co.

Lloyd A. Deaven, Jr.
Director since 1998

President, Patriot Auto Parts (retired)

Edwin C. Hostetter II CPA CGMA
Director since 2013

CPA and Management Consultant; Vice President of Finance & Chief Financial Officer, SSM Group, Inc. (retired)

Brian R. Miller
Director since 2015

Insurance Agency Principal, Richard S. Miller, Inc.

Larry P. Minnich
Director since 2013

Operations Manager, Children's Heart Group, Milton S. Hershey Medical Center (retired); COO, Central Medical Ambulance Svcs.; Mayor, Borough of Cleona

Sallie A. Neuin
Director since 2009

Lebanon County Treasurer; Lebanon County Tax Claim Director

Eric A. Trainer
Director since 2011

Co-owner/Operator, Trainer's Midway Diner; Quality Inn at Midway; Microtel Inn & Suites–Hamburg; Pappy T's Pub & Lounge–Hamburg

Glenn T. Wenger
Director since 2008

President, Wengers of Myerstown; Chairman, Ag Industrial, Inc.; President, JK&B Inc.

EXECUTIVE OFFICERS

Troy A. Peters
President
Chief Executive Officer

C. William Roth
Chief Financial Officer

Edward T. Martel, Jr.
Chief Operating Officer

Timothy D. Gingrich
Chief Information Officer

Richard M. Rollman
Chief Lending Officer

LETTER TO SHAREHOLDERS

Troy A. Peters
President
Chief Executive Officer

Dear Shareholders of Jonestown Bank & Trust Co.,

EXECUTION of the Bank's business plan was the overarching focus in 2019.

We invested considerable time into analyzing and evaluating our efforts and results, with the appreciation that a good plan requires action to be effective. Execution is about intentionally producing a desired outcome though disciplined effort. This was our year-long mantra and we committed to executing the business plans put forth from each department that supported our overall business strategies; to grow profitably, improve the client experience, and build the internal support structure with the aim of remaining relevant into the future as an independent community bank. It was a great year.

The Bank earned $5,435,000 or $2.25 per share, an increase of 12.18% over the prior year. Assets grew to $626,063,000 an increase of 6.34%. Return on average assets was .88% and return on average equity was 9.67%, placing us in the top third of our peer group. The Bank paid dividends of $0.76 per share, resulting in a 3.32% dividend yield based on an average weighted share price of $22.88. We experienced record trading volume of over 263,000 shares.

DEPOSITS/LOANS

We had another strong year of deposit growth, ending the year up 7.14%, with total deposits of over $538 million. We were especially pleased that three-quarters of the growth occurred in core deposits.

Net loans finished up 5.44%, to a total of $533 million. This growth was impacted by some large commercial payoffs that resulted from completed construction projects being sold, municipal loans being refinanced into bonds, and the resolution of some troubled credits. Our growth was spearheaded from both our indirect dealer financing business and our commercial lending business. Both of these areas experienced great results. Indirect balances were up 11.71% and commercial was up 4.50%. Home equity lending remained flat.

CREDIT QUALITY

Our credit quality continued to improve throughout the year and we finished with our best metrics in over a decade. Delinquencies fell to 1.19% from 1.48% the year before, other real estate owned finished at $191,000 compared to $433,000, and non-accruals dipped to $2,612,000 from $4,792,000. Our credit administration team was successful in resolving some large troubled credits that helped to improve our portfolio. We placed $1,048,000 into the loan loss reserve which was a 22.46% increase from the previous year. A portion of this provision ($140,000) was the result of concerns we had when the insurance company backing our student loan portfolio declared bankruptcy. Our exposure to direct education financing is relatively small at 0.45% of outstanding loans and we have since ended this product offering. Although, most of these loans are in deferment as the students are still in school, we wanted to be prepared in the case of future issues during the payback period.

SERVICE DELIVERY REALIGNMENT

In the fourth quarter, we made three strategic moves related to our service delivery. Firstly, we announced that we are opening a new branch in Robesonia – our first in Berks County. We purchased a building at 318 E. Penn Ave., that most recently operated as a Santander branch. The Robesonia area has lost three mega-bank branch offices (Wells Fargo, Santander, BB&T) within the past few years and residents are yearning for a local institution to serve their banking needs. We believe that our community banking model will position us for success in this natural extension of our market. Although our office isn't slated to open until early spring of 2020, we have already begun to onboard new clients.

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Secondly, we made the decision to consolidate our Palmyra branch into our Northside Commons office. These two locations are less than two miles apart and given the comparison of the facilities, ease of access, and client transactional trends, we see this as a prudent move. Before the consolidation, the Northside Commons office will undergo a renovation project bringing it in-line with the client-friendly layout of our newer locations. The consolidation is expected to be complete by mid-year 2020.

Thirdly, we executed a strategic initiative to exit our direct involvement in the services provided by our Financial Services Department – namely trust and non-FDIC insured investment services. In October, we formalized an agreement with Fidelity Deposit and Discount Bank of Dunmore, PA (Fidelity) to assign, assume, and profit share our current portfolio and future client referrals. Fidelity has a much larger scale, focus, and investment in the technology for this line-of-business than we did, or desired to, given our traditional core banking model. Chief Trust Officer, Theresa Resanovich retired in the fall, Financial Consultant, James Aten, went to work for Fidelity and will be JBT's dedicated representative – meeting with clients in our branch offices, and Trust Administrator, Amy Collins, has accepted another position within JBT. We believe our clients will be served well under this arrangement and retain their local connection.

COMPETITIVE ADVANTAGE

To the best of our knowledge, we remain the only bank chartered by the Commonwealth of PA that is actively banking marijuana related businesses (MRBs). We entered this business in 2018 and our growing ability and expertise to provide deposit and loan solutions to these businesses has proved to be a competitive advantage. Marijuana is legal in some form in thirty-three states, but remains a Schedule 1 drug, making it illegal at the Federal level. Although we continue to proceed with caution in this area, we have made the necessary investment in resources to manage this industry's risk profile. We selectively bank medical marijuana growers, processors, dispensaries, and hemp farming operations inside and outside of our immediate market area. The future of MRBs and banking MRB's is evolving and we will continue to monitor the related risks of doing business in this space.

TECHNOLOGY

Most everyone would agree that advances in technology have changed our lives and how we conduct business. This is certainly true within our industry. For example, deposits used to flow into the Bank primarily through paper checks and currency. Now, only about half of all deposited funds come to us in this fashion and for consumer accounts the number is even smaller. Clients have become very comfortable moving money through electronic means, including depositing paper checks through our mobile app on their smart phone – we saw a 31% increase in this activity in 2019.

As part of our continued investment in technology, we are performing a substantial upgrade to our core banking system. This upgrade is a very detailed and comprehensive process that takes months to prepare for and execute. Fortunately, we have a dedicated group of employees (25+) working on this and positioning us for success when our system goes live in early spring. This monumental undertaking is in addition to their regular "day jobs" and I am very proud of their diligent work. Once completed, we will be able to improve our service and offerings to clients. Although the increased capabilities are too numerous to mention, a few notable improvements will occur around financing options, payments, the account opening process, and the speed of in-branch transactions. The upgrades also move us closer to electronic signature capabilities which will further advance the client experience.

BUILDING ON OUR STRONG FOUNDATION

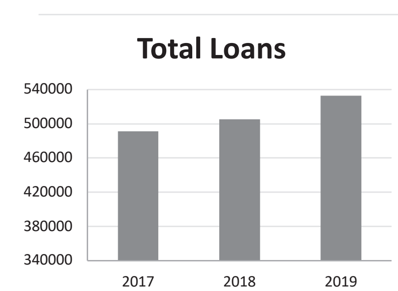
In this, our 147th year as an independent community bank, we can only marvel at how far the Bank has come, what it has withstood, and how it has grown. Very few organizations can claim a history as long and as rich as ours. We also realize that it is what we do today and tomorrow that earns us the opportunity to build upon that legacy. We will continue to keep our clients, shareholders, communities, and employees in balance as we create our future. Thank you for your confidence.

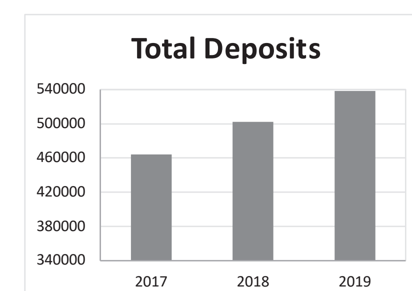
Troy A. Peters
President
Chief Executive Officer

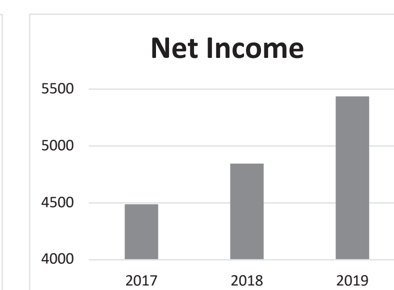
Jonestown Bank & Trust Co.

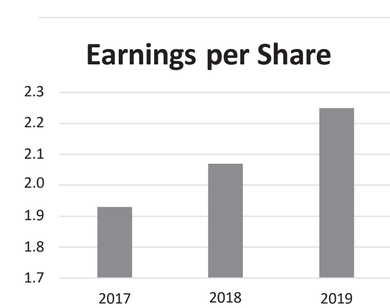
FINANCIAL HIGHLIGHTS

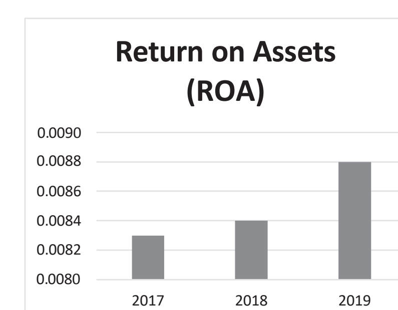
(Dollars in thousands, except per share amounts)	2019	2018	Change
Results of Operations			
Net interest income	21,361	19,815	7.8%
Provision for loan losses	1,048	856	22.4%
Net income	5,435	4,845	12.2%
Per Share Data			
Basic earnings	2.25	2.07	8.8%
Book value	24.13	22.36	8.0%
Financial Condition at Year-end			
Assets	626,063	588,729	6.3%
Deposits	538,335	502,452	7.1%
Loans Receivable, net	532,993	505,466	5.4%
Allowance for loan loss	6,167	5,855	5.3%
Stockholders' equity	58,369	53,903	8.3%
Financial ratios			
Return on average assets	0.88%	0.84%	4.8%
Return on average equity	9.67%	9.62%	0.5%

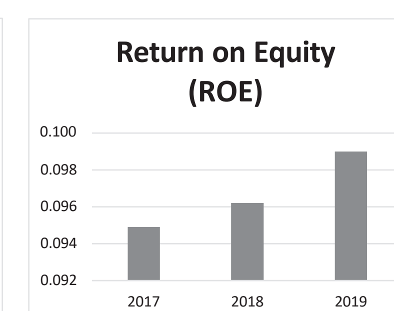












SEK
Guidance You Can Count On.
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Jonestown Bank & Trust Co.

We have audited the accompanying financial statements of Jonestown Bank & Trust Co., which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of Jonestown Bank & Trust Co. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EFFECT OF ADOPTING NEW ACCOUNTING STANDARDS

As discussed in Note 1 to the financial statements, in 2019 the entity adopted new accounting guidance issued by the Financial Accounting Standards Board (FASB) related to lease accounting.

Our opinion is not modified with respect to these matters.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
March 5, 2020

Balance Sheets

(Dollars in thousands, except per share amounts)	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	$ 3,987	$ 3,355
Interest bearing deposits in other banks	20,783	10,519
Securities available for sale	37,004	40,565
Securities held to maturity, fair value of $832 and $844	832	843
Loans	539,160	511,321
Less allowance for loan losses	6,167	5,855
Net loans	532,993	505,466
Restricted investment in bank stock	1,836	1,734
Foreclosed assets	331	533
Premises and equipment	11,878	8,801
Investment in life insurance	12,809	12,734
Accrued interest receivable	1,929	1,817
Other assets	1,681	2,362
TOTAL ASSETS	$ 626,063	$ 588,729
LIABILITIES		
Deposits:		
Non-interest-bearing	57,922	50,145
Interest-bearing	480,413	452,307
Total deposits	538,335	502,452
Long-term debt	20,123	26,420
Subordinated debt	3,000	3,000
Accrued interest payable and other liabilities	6,236	2,954
TOTAL LIABILITIES	$ 567,694	$ 534,826
STOCKHOLDERS' EQUITY		
Preferred stock, no par value; $1,000 per share liquidation preference; 4,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $2.00; 6,000,000 shares authorized; issued and outstanding 2,418,475 and 2,411,064 on December 31, 2019 and December 31, 2018	4,837	4,822
Surplus	7,104	6,944
Retained earnings	46,807	43,206
Accumulated other comprehensive (loss)	(379)	(1,069)
TOTAL STOCKHOLDERS' EQUITY	$ 58,369	$ 53,903
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 626,063	$ 588,729

Statements of Income

(Dollars in thousands, except per share amounts)	Years Ended December 31, 2019	2018
INTEREST INCOME		
Loans receivables, including fees	$ 25,523	$ 23,063
Securities:		
Taxable	767	575
Tax-exempt	197	284
Other	673	376
Total interest income	$ 27,160	$ 24,298
INTEREST EXPENSE		
Deposits	5,045	3,503
Short-term borrowings	-	242
Interest on subordinated debt	165	165
Long-term debt	589	573
Total interest expense	$ 5,799	$ 4,483
NET INTEREST INCOME	21,361	19,815
Provision for loan losses	1,048	856
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$ 20,313	$ 18,959
OTHER INCOME		
Trust income	359	337
Service charges on deposit accounts	2,279	2,097
Automated teller machine and internet banking fees	168	193
Mortgage banking activities	559	393
Earnings on investment in life insurance	339	285
Gain on sale of investments	30	-
Other	184	183
Total other income	$ 3,918	$ 3,488
OTHER EXPENSE		
Salaries and employee benefits	9,628	8,842
Outsourcing services	1,971	1,783
Occupancy	1,273	1,211
Equipment and data processing	689	631
Marketing	471	498
ATM processing fees	403	430
Pennsylvania bank shares tax	512	461
Federal deposit insurance assessment	163	311
Net (gain) loss on foreclosed assets	(12)	68
Other	2,565	2,433
Total other expense	$ 17,663	$ 16,668
Income before income taxes	6,568	5,779
Federal income taxes	1,133	934
NET INCOME	$ 5,435	$ 4,845
EARNINGS PER SHARE	$ 2.25	$ 2.07
WEIGHTED-AVERAGE SHARES OUTSTANDING	2,414,214	2,345,065

Jonestown Bank & Trust Co.

Statements of Comprehensive Income

(Dollars in thousands, except per share amounts)	Years Ended December 31, 2019	2018
Net Income	$ 5,435	$ 4,845
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the year	922	(240)
Tax effect	(193)	50
Net unrealized gains (losses) on securities	729	(190)
Defined benefit pension plan:		
Change in benefit obligations and plan assets	(49)	95
Tax effect	10	(20)
Net change in defined benefit pension plan	(39)	75
Other comprehensive income (loss)	690	(115)
Total comprehensive income	$ 6,125	$ 4,730

Statements of Stockholders' Equity

(Dollars in thousands, except per share amounts) — Years Ended December 31, 2019 and 2018

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2017	$ 4,665	$ 5,074	$ 40,046	$ (954)	$ 48,831
Issuance of common stock through:					
Dividend reinvestment plan (8,234 shares)	16	202	-	-	218
Common stock offering (70,264 shares)	141	1,668			1,809
Comprehensive income:					
Net income		-	4,845	-	4,845
Other comprehensive income, net of taxes	-	-	-	(115)	(115)
Cash dividends declared ($.72 per share)	-	-	(1,685)	-	(1,685)
Balance, December 31, 2018	$ 4,822	$ 6,944	$ 43,206	$ (1,069)	$ 53,903
Issuance of common stock through:					
Dividend reinvestment plan (7,410 shares)	15	160	-	-	175
Comprehensive income:					
Net income		-	5,435	-	5,435
Other comprehensive loss, net of taxes	-	-	-	690	690
Cash dividends declared ($.76 per share)	-	-	(1,834)	-	(1,834)
Balance, December 31, 2019	$ 4,837	$ 7,104	$ 46,807	$ (379)	$ 58,369

Statements of Cash Flows

(Dollars in thousands)	Years Ended December 31, 2019	2018
OPERATING ACTIVITIES		
Net income	$ 5,435	$ 4,845
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	1,048	856
Provision for depreciation and amortization	682	608
Net amortization of securities premiums and discounts	335	334
Net amortization of deferred loan fees	(1,104)	(720)
Deferred income taxes	141	196
Loss (gain) on disposal of property and equipment	(1)	15
Loss (gain) on foreclosed assets	(12)	68
Investment securities (gains)	(30)	-
(Gain) on sale of loans, net	(431)	(272)
Proceeds from sales of loans	11,571	9,854
Loans originated for sale	(11,140)	(9,582)
Earnings on investment in Bank-owned life insurance, net	(339)	(285)
Increase (decrease) in accrued interest receivable and other assets	(1,974)	517
Increase in accrued interest payable and other liabilities	2,908	193
Net cash provided by operating activities	7,089	6,627
INVESTING ACTIVITIES		
Proceeds from maturities and principal repayments		
Securities held to maturity	11	8
Securities available for sale	9,478	4,398
Purchase of securities available for sale	(9,341)	(3,788)
Sales of securities available for sale	4,042	-
Proceeds of life insurance death benefit	264	-
Net (increase) in loans	(28,367)	(15,246)
Redemption (purchase) of restricted bank stock	(102)	1,231
Purchase of premises and equipment	(1,215)	(1,786)
Proceeds from sale of foreclosed assets	1,110	1,010
Net cash used for investing activities	(24,120)	(14,173)
FINANCING ACTIVITIES		
Net increase in deposits	35,883	38,286
Net (decrease) in short-term borrowings	-	(23,221)
Proceeds from debt	6,000	-
Repayment of long term debt	(12,297)	(7,284)
Proceeds from the issuance of common stock	175	2,027
Dividends on common stock	(1,834)	(1,685)
Net cash provided by financing activities	27,927	8,123
Increase in cash and cash equivalents	10,896	577
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,874	13,297
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 24,770	$ 13,874
Cash paid during the year for:		
Interest	$ 5,770	$ 4,451
Taxes	915	350
Noncash investing transactions:		
Loans Transferred to Foreclosed Assets	$ 896	$ 875

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

1. Summary of Significant Accounting Policies

Nature of Operations

The Jonestown Bank & Trust Co. (the "Bank") operates under a state bank charter and provides full banking services, including trust services. As a state bank, the Bank is subject to regulation of the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation. The area served by the Bank is principally Lebanon County and northern Lancaster County, Pennsylvania.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, mortgage servicing rights, deferred tax valuation allowances, pension liability, and the determination of impairment of restricted investment in Bank stock and of other-than-temporary impairment of securities.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and interest-bearing deposits in other banks with original maturities of 90 days or less, if any.

Securities

Securities classified as available for sale are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are carried at fair value. Unrealized gains or losses are reported in other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income, using the interest method over the terms of the securities.

Bonds, notes, and debentures for which the Bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the terms of the securities.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each Balance Sheet date.

Securities are evaluated on a periodic basis to determine whether a decline in their value is other than temporary. For debt securities, management considers whether the present value of cash flow expected to be collected is less than the security's amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline, and the Bank's intent to sell the security or whether it is more likely than not that the Bank would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the Bank does not intend to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of the security's amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference defined as the non-credit portion) is recognized in other comprehensive income, net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings.

1. Summary of Significant Accounting Policies (Continued)

Restricted Investments in Bank Stock

Restricted investments in bank stock, which represent required investments in the common stock of correspondent banks, are carried at cost and as of December 31, 2019 and 2018 consist of the common stock of the Federal Home Loan Bank ("FHLB") of Pittsburgh and Atlantic Community Bankers Bank ("ACBB"). Federal law requires a member institution of the FHLB to hold stock of its district FHLB according to a predetermined formula. As of December 31, 2019, and 2018, the recorded investment in restricted bank stock is $1,836,000 and $1,734,000, respectively.

Management evaluates the restricted stock for impairment at least annually, or more frequently, if necessary. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. There were no loans held for sale at December 31, 2019 and no loans held for sale at December 31, 2018.

Mortgage loans held for sale are generally sold with the mortgage-servicing rights retained by the Bank; however, the Bank does sell some mortgage loans with servicing released. The carrying value of mortgage loans sold is reduced by the cost allocated to the associated mortgage-servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans Receivable

The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout Lebanon County, Pennsylvania. 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 that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are stated at their outstanding unpaid principal balances, net of any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan.

The accrual of interest for all loan segments, except for consumer loans, is discontinued when the contractual payment of principal or interest has become 90 days past due, unless the credit is well-secured and in the process of collection or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. Consumer loans are charged-off on or before they become 90 days past due. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Loan delinquencies for all loan segments are determined based on contractual terms of the loans.

Jonestown Bank & Trust Co.

1. Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

The Bank segregates its loan portfolio into segments with varying risk characteristics. Commercial loans include loans to businesses for general commercial purposes and include permanent and short-term working capital, machinery and equipment financing, and may be either in the form of lines of credit, demand, or term loans. Some commercial and industrial loans may be unsecured to higher rated customers, but the majority of these loans are secured by the borrower's accounts receivable, inventory and machinery and equipment and in many loans, the collateral also includes the business real estate or the business owner's personal real estate or assets. Commercial loans have credit exposure since they are more susceptible to risk of loss during a downturn in the economy as borrowers may have greater difficulty in meeting their debt service requirements and the value of the collateral may decline.

Commercial real estate loans consist of owner occupied and non-owner occupied commercial real estate loans. Owner occupied commercial real estate loans are generally dependent upon the successful operation of the borrower's business, with the cash flows generated from the business being the primary source of repayment of the loan. If the business suffers a downturn in sales or profitability, the borrower's ability to repay the loan could be in jeopardy, which could increase the risk of loss. Non-owner occupied and multi-family commercial real estate loans and non-owner occupied residential loans are dependent on the borrower's ability to generate a sufficient level of occupancy to produce rental income that exceeds debt service requirements and operating expenses. Lower occupancy or lease rates may result in a reduction in cash flows, which may affect the ability of the borrower to meet debt service requirements, and may result in lower collateral values, which represents a higher inherent risk than owner-occupied commercial loans.

Commercial real estate construction loans consist of 1-4 family residential construction and commercial and land development loans. The risk of loss on these loans is contingent on the assessment of the property's value at the completion of the project, which should exceed the property's construction costs. A number of factors can negatively affect the project during the construction phase such as cost overruns, delays in completing the project, competition, and real estate market conditions which may change based on the supply of similar properties in the area. If the collateral value at the completion of the project is not sufficient to cover the outstanding loan balance, repayment of the loan would potentially need to rely on other repayment sources, including the guarantors of the project or other collateral securing the loan.

Residential real estate loans include fixed-rate and adjustable first lien mortgage loans with the underlying 1-4 family owner-occupied residential property securing the loan. Risk exposure is mitigated somewhat through the evaluation of the credit worthiness of the borrower, including credit scores and debt-to-income ratios, and limits on the loan-to-value ratios based on collateral values.

Home equity lines of credit represent a slightly higher risk than residential real estate first liens, as these loans can be first or second liens on residential family owner occupied residential property, but there are loan-to-value limits on the value of the real estate taken as collateral. The credit worthiness of the borrower is considered, including credit scores and debt-to-income ratios.

Consumer indirect automobile and other consumer loans' credit risk are mitigated through evaluation of the credit worthiness of the borrower through credit scores and debt-to-income ratios, and if secured, the collateral value of the assets. However, these loans can be unsecured or secured by assets that may depreciate quickly or may fluctuate and represent a greater risk than 1-4 family residential loans. Indirect automobile loans represent some risk as the initiation of the credit process begins with a consumer and dealer at the point of purchase with the Bank then approving or denying the credit based on the consumer's credit worthiness. Our student loan portfolio lost its insurance guarantee in 2018 and its impact on the allowance is outlined in Note 5 of this report.

Allowance for Loan Losses

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. All commercial loans and commercial real estate loans are reviewed on a regular basis with a focus on larger loans along with loans which have experienced past payment or financial deficiencies. All commercial loans and commercial real estate loans which are 90 days or more past due are selected for impairment testing.

1. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

These loans are analyzed to determine if they are "impaired," which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. All commercial loans that are delinquent 90 days and residential mortgage loans that are 120 days delinquent and are placed on nonaccrual status are evaluated for impairment on an individual basis. The remaining loans are evaluated for impairment as groups of loans with similar risk characteristics. The Bank allocates allowances based on the factors described below, which conform to the Bank's asset classification policy. In reviewing risk within the Bank's loan portfolio, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (i) the commercial loan portfolio; (ii) the commercial real estate portfolio; (iii) the consumer loan portfolio (indirect and other); (iv) the loans secured by residential real estate portfolio; and (v) home equity lines of credit. Factors considered in this process include general loan terms, collateral, and availability of historical data to support the analysis. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations based on the last twelve quarters of historical losses. Certain qualitative factors are then added to the historical allocation percentage to get the total factor to be applied to non-classified loans. The following qualitative factors are analyzed:

- Trends in delinquency
- Underlying loan collateral value factors
- Trends in risk ratings
- Economic trends
- Concentrations of credit risk
- Lending policies and procedures
- Quality of loan review
- External factors (competition, legal, regulatory)
- Experience, depth and ability of lending management/staff
- Nature and volume of the portfolio and terms of loans
- Special mention and substandard trends
- Factors unique to home equity lines of credit, municipal loans, indirect loans and education loans

The Bank analyzes its loan portfolio each quarter to determine the appropriateness of its allowance for loan losses. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses on loans. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors, management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Loan Charge-off Policies

Consumer and residential real estate loans are generally fully or partially charged down to the fair value of collateral securing the asset when the loan is 90 days past due for consumer loans and 120 days past due for residential real estate loans unless the loan is in the process of collection. On all other loans, the primary factors considered by management in determining charge-offs include payment status and collateral value but could also include debt service coverage, financial health of the borrower, and other external factors that could impact the ability of the borrower to repay the loan.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through the sale of loans. Capitalized servicing rights are reported in other assets and are amortized as a reduction of noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared with amortized cost. Impairment is

1. Summary of Significant Accounting Policies (Continued)

Servicing (Continued)

determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets. Residential real estate in the process of foreclosure was $708,000 and $717,000 at December 31, 2019 and 2018, respectively. Residential real estate held as other real estate owned and included in foreclosed assets on the Balance Sheets was $191,000 and $433,000 at December 31, 2019 and 2018, respectively. Commercial real estate held as other real estate was $0 at December 31, 2019 and 2018. Other foreclosed assets were $140,000 and $100,000 at December 31, 2019 and 2018, respectively.

Bank Premises and Equipment

Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 40 years.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Investment in Life Insurance

The Bank invests in split-dollar bank-owned life insurance ("BOLI") as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Bank on a chosen group of employees. The Bank is the owner and the Bank and employee's beneficiary are beneficiaries of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies. Income from the increase in cash surrender value of the policies is included in other income on the income statement. Some of the BOLI policies have a post-retirement death benefit. The liability for this benefit was $838,000 and $794,000 at December 31, 2019 and 2018, respectively. The expense related to the liability for future benefits of the Bank's split-dollar bank-owned life insurance was approximately $44,000 and $69,000 for the years ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019 the Bank received $264,000 in gross death benefits and recognized an additional $72,000 of income included in earnings on investment in life insurance on the Statements of Income.

Trust Assets

Assets held by the Bank in a fiduciary capacity for customers are not included in the financial statements, since such items are not assets of the Bank. Trust income is reported on the accrual method. In October 2019, we formalized an agreement with Fidelity Deposit and Discount Bank of Dunmore, PA (Fidelity) to assign, assume, and profit share our current portfolio and future client referrals. The transfer of trust assets is to take place in the first half of 2020.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred taxes are provided on the liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Bank follows generally accepted accounting principles, which provides guidance on accounting for uncertainty in income taxes recognized in a Bank's financial statements. The Bank's policy is to charge penalties and interest to income tax expense as incurred. The Bank's federal and state tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

Revenue Recognition

On January 1, 2018 the Bank adopted ASU 2014-09 *Revenue from contract with customers* (topic 606). All of the Bank's revenue from contracts with customers within the scope of ASC 606 is recognized within noninterest income in the Statements of Income. Consistent with ASC 606, noninterest income covered by this guidance is recognized as services are transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Adoption of ASC 606 did not result in a change to the accounting for any in-scope revenue streams.

Interest income – The Bank's interest income is generated from various sources, including loans outstanding and investments, and is recognized on an accrual basis according to loan agreements, securities contracts or other such written contracts. These revenues are outside the scope of ASC 606.

Trust Department Income – The Bank's Trust Department income consists of income earned from Investment & Trust Services, Estate Settlement Income and Investment Brokerage Income. The Bank receives fees for Investment and Trust Services based on the market value of the assets managed. Investment & Trust accounts are assessed a quarterly fee charged to client accounts, tiered and based primarily on the market value. These fees are based on a fixed fee schedule. Estate income is received and recognized upon completion of estate settlement in accordance with the fixed fee schedule. Investment brokerage services are provided through a third-party service provider. The Bank receives commissions from the provider monthly, based on customer activity and is recognized by the Bank monthly.

Service Charges on Deposit Accounts, Automated Teller Machine and Internet Banking Fees – The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, internet banking fees, stop payment charges, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income – The Bank earns interchange fees from debit/credit cardholder transactions conducted through the Discover payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Mortgage Banking Activity – Income consists of gains on mortgages sold to FHLB and servicing of sold loans. Income is recognized on the date of the sale. FHLB also pays a monthly fee to service the mortgages for them compensating the bank for collecting monthly payments on the loan and providing customer service on the loans.

Earnings on Investments in Life Insurance - Increases in the cash surrender value of life insurance are not within the scope of ASC 606.

Jonestown Bank & Trust Co.

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Gain/Losses on Sales of OREO – The Bank records a gain or loss on the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. If the Bank finances the sale of OREO to the buyer, the Bank assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on the sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Bank adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Gain on Sales of Investments – Gains presented in other income represent amounts realized on the sale of investment securities and are not within the scope of ASC 606.

Other – these are comprised primarily of merchant card fees, credit card fees, wire transfer fees, and rental of safe deposit boxes. Merchant card fees represent fees the Bank earns from a third party for enrolling a customer in the processor's program. Credit card fees represent a fee earned by the Bank for a successful referral to a card-issuing company. All of these fees are transaction based and are recognized at the time of the transaction except for safe deposit fees which are recorded annually as received for rental of the box for one year.

The following table presents our non-interest income disaggregated by revenue source. Overdraft fees on checking, other service charges on deposit accounts and interchange on deposit accounts are combined in the Statements of Income under service charges on deposit accounts.

(Dollars in 000s)	December 31, 2019	2018
Trust income	$ 359	$ 337
Overdraft fees on checking	1,192	1080
Other service charges on deposit accounts	98	72
Interchange fees on debit card	989	945
Automated teller machine and internet banking fees	168	193
Mortgage banking activity	559	393
Earning on investments in life insurance	339	285
Gain on sale of investments	30	-
Other	184	183
	$ 3,918	$ 3,488

Advertising

Advertising costs are expensed as incurred. The Bank's expenditures on advertising were $471,000 and $498,000 for the years ended December 31, 2019 and 2018, respectively.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the Balance Sheet when they are funded.

Earnings per Share

Basic earnings per share represent net income available to common shareholders divided by the weighted-average number of shares outstanding during the period. Dividends on preferred stock are deducted from net income in calculating earnings per common share.

1. Summary of Significant Accounting Policies (Continued)

Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and unrecognized gains and losses, prior service costs, and transition assets or obligations for defined benefit pension plans are reported as a separate component of the equity section of the Balance Sheets, such items, along with net income, are components of comprehensive income.

Change in Accounting Principles

ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On January 1, 2018, the Bank adopted ASU 2014-09 and all subsequent amendments (collectively "ASC 606"). The majority of the Bank's revenue comes from interest income, including loans and securities that are outside the scope of ASC 606. The Bank's services that fall within the scope of ASC 606 are presented within noninterest income on the Statements of Income and are recognized as revenue as the Bank satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges on deposit accounts, income from fiduciary investment management and brokerage activities and interchange fees from service charges on ATM and debit card transactions. ASC 606 was adopted using the retrospective method and did not result in a change to the accounting for any in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

In February 2016, the Financial Accounting Standards Boards (FASB) released Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. The Update is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The core principle of the Update is that a lessee recognizes the assets and liabilities that arise from leases, which is a change from previous GAAP that did not require lease assets and lease liabilities to be recognized on the balance sheet for operating leases.

The Bank implemented ASU 2016-02 and all subsequent ASUs that modified Topic 842 on January 1, 2019 using the modified retrospective approach. As allowed by ASU 2018-11, the guidance was applied on a prospective basis using the alternative transition method, which eliminates the requirement to restate periods prior to the date of implementation. As such, financial information related to December 31, 2018 and the year then ended have not been updated and the disclosures required under the new standard have not been provided for dates and periods prior to January 1, 2019. Additionally, implementation of this Update did not result in a cumulative-effect adjustment to retained earnings.

The standard provides for several practical expedients in transition, which among other things, allowed it to carryforward the prior conclusions on lease identification, lease classification, initial direct costs and determination of the lease term.

The Bank elected the prospective application approach provided by ASU 2018-11 and did not adjust prior periods for ASC 842. Financial results and disclosures for reporting periods beginning on or after January 1, 2019 are presented under the Topic 842 requirements, while prior period amounts and disclosures are not adjusted and continue to be reported in accordance with previous guidance. The Bank also elected certain practical expedients within the standards and consistent with such elections did not reassess whether any expired or existing contracts are or contain leases, did not reassess the lease classification for any expired or existing leases, and did not reassess any initial direct costs for existing leases.

As a result of implementing this update operating lease right-of-use (ROU) assets and liabilities, all of which relate to our leasing of real estate as a lessee, of $2.7 million and $2.7 million, respectively were recorded as of January 1, 2019. Since the calculated right of use asset and lease liability were materially the same, there was no cumulative effect adjustment to retained earnings as of the implementation date.

1. Summary of Significant Accounting Policies (Continued)

Change in Accounting Principles (Continued)

Lease agreements are entered into to obtain the right to use assets for business operations. Lease liabilities and ROU assets are recognized when entering into operating leases and represent obligations and rights to use these assets over the period of the leases and may be re-measured for certain modifications, resolution of certain contingencies involving variable consideration, or exercise of options (renewal, extension, or termination) under the lease.

Operating lease liabilities include fixed and in-substance fixed payments for the contractual duration of the lease. The lease payments are discounted using a rate determined when the lease is recognized. As the discount rate implicit in the lease is typically not known, an estimated discount rate that approximates a collateralized borrowing rate for the estimated duration of the lease is used. The discount rate is updated when re-measurement events occur. The related operating lease ROU assets may differ from operating lease liabilities due to initial direct costs, deferred or prepaid lease payments and lease incentives.

Operating lease liabilities are presented in accrued interest payable and other liabilities and the related operating lease ROU assets in premises and equipment. The amortization of operating lease ROU assets and the accretion of operating lease liabilities are reported together as fixed lease expense and are included in occupancy expense within noninterest expense. The fixed lease expense is recognized on a straight-line basis over the life of the lease.

Some of the operating leases include variable lease payments which are periodic adjustments of our payments for the use of the asset based on changes in factors such as consumer price indices, fair market value, tax rates imposed by taxing authorities, or lessor cost of insurance. To the extent not included in operating lease liabilities and operating lease ROU assets, these variable lease payments are recognized as incurred in occupancy expense within noninterest expense.

For substantially all of our leased assets, the consideration paid under the contract for maintenance or other services is accounted for as lease payments. In addition, for certain asset classes, the Bank has elected to exclude leases with original terms of less than one year from the operating lease ROU assets and lease liabilities. The related short-term lease expense is included in occupancy expense.

Accumulated other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) and related tax effects are presented in the following table:

(Dollars in 000s)

	Unrealized Gains\(losses) on Securities	Defined Benefit Pension Plan	Total
Balance, December 31, 2017	$ (61)	$ (893)	$ (954)
Change in urealized losses on securities available for sale	(240)	-	(240)
Change in benefit obligation and plan assets	-	95	95
Tax effect of current period changes	50	(20)	30
Balance, December 31, 2018	$ (251)	$ (818)	$ (1,069)
Change in urealized gains on securities available for sale	$ 893	$ -	893
Reclassification adjustment for gains realized in net income	30	-	30
Change in benefit obligation and plan assets	-	(50)	(50)
Tax effect of current period changes	(194)	11	(183)
Balance, December 31, 2019	$ 478	$ (857)	$ (379)

2. Restrictions on Cash and Due from Bank Balances

The Bank is required to maintain cash reserve balances with the Federal Reserve Bank. The required reserve balances were $835,000 at December 31, 2019 and $627,000 at December 31, 2018. The Bank maintains balances with its correspondent banks that may exceed federal insured limits, which management considers a normal business risk.

3. Securities

The amortized cost and fair value of securities are presented in the following tables:

December 31, 2019 (Dollars in 000s)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Certificates of deposit	$ 1,992	$ 5	$ -	$ 1,997
Obligations of states and political subdivisions	5,555	177	-	5,732
Mortgage-backed securities in government-sponsored entities	28,851	461	(37)	29,275
Total	$ 36,398	$ 643	$ (37)	$ 37,004
Held-to-maturity securities:				
Mortgage-backed securities in government-sponsored entities	$ 32	$ -	$ -	$ 32
Investment note receivable	800	-	-	800
Total	$ 832	$ -	$ -	$ 832

December 31, 2018 (Dollars in 000s)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Certificates of deposit	$ 2,629	$ -	$ (26)	$ 2,603
Obligations of states and political subdivisions	11,148	48	(77)	11,119
Mortgage-backed securities in government-sponsored entities	27,105	119	(381)	26,843
Total	$ 40,882	$ 167	$ (484)	$ 40,565
Held-to-maturity securities:				
Mortgage-backed securities in government-sponsored entities	$ 43	$ 1	$ -	$ 44
Investment note receivable	800	-	-	800
Total	$ 843	$ 1	-	$ 844

3. Securities (Continued)

Securities with a fair value of $13,021,000 and $12,957,000 at December 31, 2019 and 2018, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law. Seven securities were sold in 2019 with a book value of $4,012,000 for a gain of $30,000 and none were sold in 2018.

The amortized cost and fair value of securities by contractual maturity are shown in the following table. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepayment penalties.

December 31, 2019	Available for Sale		Held to Maturity	
(Dollars in 000s)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,641	$ 1,645	$ -	$ -
Due after one year through five years	602	602	400	400
Due after five years through ten years	1,999	2,029	400	400
Due after ten years	3,305	3,453	-	-
Mortgage-backed securities in government-sponsored entities	28,851	29,275	32	32
Total	$ 36,398	$ 37,004	$ 832	$ 832

The following table shows the gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2019 and 2018:

December 31, 2019	Less Than Twelve Months		Twelve Months or Greater		Total	
(Dollars in 000s)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities:						
Mortgage-backed securities in government-sponsored entites	$ 3,422	$ (23)	$ 2,104	$ (14)	$ 5,526	$ (37)
Total	$ 3,422	$ (23)	$ 2,104	$ (14)	$ 5,526	$ (37)

December 31, 2018	Less Than Twelve Months		Twelve Months or Greater		Total	
(Dollars in 000s)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities:						
Certificates of deposit	$ 2,603	$ (26)	$ -	$ -	$ 2,603	$ (26)
Obligations of states and political subdivisions	2,899	(12)	3,872	(65)	6,771	(77)
Mortgage-backed securities in government-sponsored entites	2,986	(26)	17,101	(355)	20,087	(381)
Total	$ 8,488	$ (64)	$ 20,973	$ (420)	$29,461	$ (484)

In management's opinion, the unrealized losses reflect changes in interest rates subsequent to the acquisition of specific securities. At December 31, 2019, the Bank had 10 securities in a loss position and Management believes that the unrealized losses are temporary and the Bank: (a) does not have the intent to sell any of the debt securities prior to recovery; and (b) it is more likely than not that it will not have to sell any of the debt securities prior to recovery. In addition, management feels that these losses are the result of interest rate changes that are not expected to result in the non-collection of principal and interest during the period. None of the losses exceeded 2% of book value.

At December 31, 2018, the Bank had 51 securities in a loss position.

3. Securities (Continued)

The Bank's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to the changes in the value of the investments, it is at least reasonably possible that charges in risks in the near term would materially affect investment assets reported in the financial statements.

4. Loans Receivable

Loans receivable consist of the following:

(Dollars in 000s)	December 31, 2019	December 31, 2018
Commercial	$ 47,338	$ 47,579
Commercial real estate	123,895	119,943
Commercial real estate construction	10,342	6,226
Secured by residential real estate	147,833	142,490
Home equity lines of credit	53,390	57,942
Consumer - indirect automobile financing	136,063	121,803
Consumer - other	20,299	15,338
Gross loans	539,160	511,321
Less allowance for loan losses	(6,167)	(5,855)
Net loans	$ 532,993	$ 505,466

Net deferred costs included in the table above total $6,253,000 and $5,149,000 as of December 31, 2019 and 2018, respectively.

5. Allowance for Loan Losses

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Bank has segmented certain loans in the portfolio by product type. Loans are segmented into the following pools: commercial loans, commercial real estate loans, residential real estate loans, home equity lines of credit, and consumer loans. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. These historical loss percentages are calculated over a three-year period for all loan segments. The following qualitative factors are analyzed for the loan portfolio:

- Trends in delinquency
- Underlying loan collateral value factors
- Trends in risk ratings
- Economic trends
- Concentrations of credit risk
- Lending policies and procedures
- Quality of loan review
- External factors (competition, legal, regulatory)
- Experience, depth and ability of lending management/staff
- Nature and volume of the portfolio and terms of loans
- Special mention and substandard trends
- Factors unique to home equity lines of credit, municipal loans, indirect loans and education loans

These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the portfolio. Historical loss percentages are calculated over a three-year period for all loan segments except for home equity lines of credit and direct consumer loans which were switched from a three-year period to a one-year period in 2019 so the model better captures the recent increased charge-offs in these segments. The impact on the reserve due to the change in historical loss experience resulted in an approximate increase of $300,000 to the reserve.

Jonestown Bank & Trust Co.

5. Allowance for Loan Losses (Continued)

The loan balances in 2019 increased 5.4% while the increase in the allowance increased by a similar amount of 5.3%

The insurance company guaranteeing the educational loans became insolvent in 2018 so a qualitative factor was added for this, resulting in an increase of $98,000 in the reserve in 2018. The first delinquencies in this segment showed up in 2019 and the entire portfolio was rated special mention in 2019. These loans and the associated allowance of $ 358,000 are included in the consumer other loan segment.

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the Balance Sheet date. The Bank considers the allowance for loan losses of $6,167,000 adequate to cover loan losses inherent in the loan portfolio at December 31, 2019. The following table presents, by portfolio segment, the allowance for loan losses for the years ended December 31:

As of December 31, 2019

(Dollars in 000s)	Commercial	Commercial Real Estate	Secured by Residential Real Estate	Home Equity Lines of Credit	Consumer - Indirect Automobiles	Consumer Other	Not allocated	Total
Allowance for credit losses:								
Beginning Balance	$ 524	$ 1,136	$ 1,275	$ 628	$ 1,817	$ 476	$ -	$ 5,856
Charge-offs	(97)	(1)	(63)	(101)	(762)	(288)	-	$ (1,312)
Recoveries	15	173	8	12	339	28	-	$ 575
Provision	(5)	(125)	99	102	393	584	-	$ 1,048
Ending Balance	$ 437	$ 1,183	$ 1,319	$ 641	$ 1,787	$ 800	$ -	$ 6,167
Ending balance: individually evaluated for impairment	$ 1	$ -	$ 51	$ 39	$ 20	$ -	$ -	$ 111
Ending balance: collectively evaluated for impairment	$ 436	$ 1,183	$ 1,268	$ 602	$ 1,767	$ 800	$ -	$ 6,056
Financing receivables:								
Ending balance, net of fees	$ 47,338	$ 134,237	$ 147,833	$ 53,390	$ 136,063	$ 20,299		$ 539,160
Ending balance: individually evaluated for impairment	$ 241	$ 2,100	$ 2,939	$ 334	$ 64	$ 28		$ 5,706
Ending balance: collectively evaluated for impairment	$ 47,097	$ 132,137	$ 144,894	$ 53,056	$ 135,999	$ 20,271		$ 533,454

5. Allowance for Loan Losses (Continued)

Loans by Segment (Continued)

As of December 31, 2018 (Dollars in 000s)	Commercial	Commercial Real Estate	Secured by Residential Real Estate	Home Equity Lines of Credit	Consumer - Indirect Automobiles	Consumer- Other	Unallocated	Total
Allowance for credit losses:								
Beginning Balance	$ 558	$ 1,109	$ 1,290	$ 768	$ 1,805	$ 292	$ 31	$ 5,853
Charge-offs	(7)	(2)	(161)	(23)	(804)	(208)	-	$ (1,205)
Recoveries	61	16	12	1	217	44	-	$ 351
Provision	(88)	13	134	(118)	599	347	(31)	$ 856
Ending Balance	$ 524	$ 1,136	$ 1,275	$ 628	$ 1,817	$ 475	$ -	$ 5,855
Ending balance: individually evaluated for impairment	$ 117	$ -	$ 38	$ 2	$ 34	$ 14	$ -	$ 205
Ending balance: collectively evaluated for impairment	$ 407	$ 1,136	$ 1,237	$ 626	$ 1,783	$ 461	$ -	$ 5,650
Financing receivables:								
Ending balance, net of fees	$ 47,579	$ 126,169	$ 142,490	$ 57,942	$ 121,803	$ 15,338		$ 511,321
Ending balance: individually evaluated for impairment	$ 884	$ 3,579	$ 3,724	$ 195	$ 99	$ 86		$ 8,567
Ending balance: collectively evaluated for impairment	$ 46,695	$ 122,590	$ 138,766	$ 57,747	$ 121,704	$ 15,252		$ 502,754

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for the years ended December 31, 2019 and 2018. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Bank's internal credit risk grading system is based on definitions determined by the Bank.

The Bank's internally assigned grades are as follows:

Pass – loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. There are five sub-grades within the pass category to further distinguish the loan.

Special Mention – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.

Substandard – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – loans classified as doubtful have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss – loans classified as a loss are considered uncollectible, or of such value that continuance as an asset is not warranted.

5. Allowance for Loan Losses (Continued)

Credit Quality Information (Continued)

As of December 31, 2019 (Dollars in 000s)	Commercial	Commercial Real Estate	Commercial Real Estate Construction
Pass	$ 45,067	$ 122,140	$ 9,990
Special Mention	712	-	-
Substandard	1,559	1,755	352
Doubtful	-	-	-
Loss	-	-	-
Ending Balance	$ 47,338	$ 123,895	$ 10,342

As of December 31, 2018 (Dollars in 000s)	Commercial	Commercial Real Estate	Commercial Real Estate Construction
Pass	$ 43,975	$ 116,444	$ 5,208
Special Mention	661	1,054	-
Substandard	2,943	2,445	1,018
Doubtful	-	-	-
Loss	-	-	-
Ending Balance	$ 47,579	$ 119,943	$ 6,226

The following tables present performing and nonperforming residential real estate and consumer loans based on payment activity for the year ended December 31, 2019 and 2018. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when they become 90 days past due, but do not include non-accrual loans less than 90 days past due. As mentioned before, the student loan portfolio lost its insurance guarantee in 2018. As of December 31, 2019, there were no student loans past due more than 90 days and $75,000 past due 30 to 90 days which are included with the other consumer loan segment. Because of the loss of the student loan guarantee, the entire balance of $ 2,427,000 is classified as special mention. For more information on non-accrual loans, see the section on non-accrual loans later in this footnote.

As of December 31, 2019 (Dollars in 000s)	Secured by Residential Real Estate	Home Equity Lines of Credit	Indirect Automobile Financing	Other Consumer Loans
Performing	$ 147,009	$ 53,146	$ 135,991	$ 20,299
Nonperforming	824	244	72	-
Total	$ 147,833	$ 53,390	$ 136,063	$ 20,299

5. Allowance for Loan Losses (Continued)

Credit Quality Information (Continued)

As of December 31, 2018				
(Dollars in 000s)	Secured by Residential Real Estate	Home Equity Lines of Credit	Indirect Automobile Financing	Other Consumer Loans
Performing	$ 141,523	$ 57,612	$ 121,754	$ 15,335
Nonperforming	967	330	49	3
Total	$ 142,490	$ 57,942	$ 121,803	$ 15,338

Following is a table which includes an aging analysis of the recorded investment of past due financing receivables:

As of December 31, 2019							
(Dollars in 000s)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Financing Receivables	> 90 Days and Accruing
Commercial	$ 44	$ 63	$ 5	$ 112	$ 47,226	$ 47,338	$ 5
Commercial real estate	606	25	356	987	122,908	123,895	
Commercial real estate construction	-	-	-	-	10,342	10,342	-
Secured by residential real estate	1,473	427	824	2,724	145,109	147,833	-
Home equity lines of credit	596	25	244	865	52,525	53,390	-
Consumer - indirect automobile financing	1,200	233	72	1,505	134,558	136,063	72
Consumer - other	205	26	-	231	20,068	20,299	-
Total	$ 4,124	$ 799	$ 1,501	$ 6,424	$ 532,736	$ 539,160	$ 77

As of December 31, 2018							
(Dollars in 000s)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Total Financing Receivables	> 90 Days and Accruing
Commercial	$ 42	$ 78	$ 50	$ 170	$ 47,409	$ 47,579	$ -
Commercial real estate	418	116	668	1,202	118,741	119,943	-
Commercial real estate construction	-	-	-	-	6,226	6,226	-
Secured by residential real estate	1,915	234	967	3,116	139,374	142,490	
Home equity lines of credit	622	180	330	1,132	56,810	57,942	-
Consumer - indirect automobile financing	1,430	162	49	1,641	120,162	121,803	49
Consumer - other	164	22	3	189	15,149	15,338	3
Total	$ 4,591	$ 792	$ 2,067	$ 7,450	$ 503,871	$ 511,321	$ 52

5. Allowance for Loan Losses (Continued)

Impaired Loans

Management considers commercial loans and commercial real estate loans which are 90 days or more past due to be impaired along with loans that are not expected to be collected as per the original loan contract. Larger commercial loans and commercial real estate loans which are 90 days or more past due are selected for impairment testing in accordance with GAAP. Non-commercial loans are generally not evaluated for impairment unless designated as a troubled debt restructuring. All substandard and doubtful loans are reviewed to determine if the loan is impaired. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees, or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

The following table includes the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable

As of and for the year ended December 31, 2019					
(Dollars in 000s)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 207	$ 215	$ -	$ 210	$ 11
Commercial real estate	2,100	2,410	-	2,151	94
Commercial real estate construction	-	-	-	0	-
Secured by residential real estate	2,354	2,519	-	2,429	82
Home equity lines of credit	53	59	-	56	-
Consumer - indirect auto	1	1	-	3	-
Consumer - other	24	24	-	26	1
Subtotal	$ 4,739	$ 5,228	$ -	$ 4,875	$ 188
With an allowance recorded:					
Commercial	$ 34	$ 40	$ 1	$ 55	$ -
Commercial real estate	-	-	-	-	-
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	585	697	51	629	16
Home equity lines of credit	281	298	39	282	2
Consumer - indirect auto	63	63	20	71	6
Consumer - other	4	4	-	6	-
Subtotal	$ 967	$ 1,102	$ 111	$ 1,043	$ 24
Total Impaired:					
Commercial	$ 241	$ 255	$ 1	$ 265	$ 11
Commercial real estate	2,100	2,410	-	2,151	94
Commercial real estate construction	-	-	-	0	-
Secured by residential real estate	2,939	3,216	51	3,058	98
Home equity lines of credit	334	357	39	338	2
Consumer - indirect auto	64	64	20	74	6
Consumer - other	28	28	-	32	1
Total	$ 5,706	$ 6,330	$ 111	$ 5,918	$ 212

5. Allowance for Loan Losses (Continued)

Impaired Loans (Continued)

As of and for the year ended December 31, 2018										
(Dollars in 000s)		Recorded Investment		Unpaid Principal Balance		Related Allowance		Average Recorded Investment		Interest Income Recognized
With no related allowance recorded:										
Commercial	$	707	$	714	$	-	$	717	$	9
Commercial real estate		2,811		3,593		-		2,995		40
Commercial real estate construction		768		1,432		-		771		38
Secured by residential real estate		3,413		3,677		-		3,488		64
Home equity lines of credit		178		178		-		178		5
Consumer - indirect auto		5		5		-		8		1
Consumer - other		45		45		-		47		1
Subtotal	$	7,927	$	9,644	$	-	$	8,204	$	158
With an allowance recorded:										
Commercial	$	177	$	177	$	117	$	179	$	1
Commercial real estate		-		-		-		-		-
Secured by residential real estate		311		311		38		318		13
Home equity lines of credit		17		28		2		26		-
Consumer - indirect auto		94		94		34		104		7
Consumer - other		41		41		14		44		2
Subtotal	$	640	$	651	$	205	$	671	$	23
Total Impaired:										
Commercial	$	884	$	891	$	117	$	896	$	10
Commercial real estate		2,811		3,593		-		2,995		40
Commercial real estate construction		768		1,432		-		771		38
Secured by residential real estate		3,724		3,988		38		3,806		77
Home equity lines of credit		195		206		2		204		5
Consumer - indirect auto		99		99		34		112		8
Consumer - other		86		86		14		91		3
Total	$	8,567	$	10,295	$	205	$	8,875	$	181

5. Allowance for Loan Losses (Continued)

Nonaccrual Loans

All loans except for consumer loans are place on non-accrual once the loan becomes 90 days past due. Consumer loans are generally charged-off on or before 90 days past due. A nonaccrual loan will generally only be placed back on accrual status after the borrower has become current and has demonstrated six consecutive months of non-delinquency. When a loan is placed in nonaccrual status, previously accrued but unpaid interest is deducted from interest income. There was one student loan classified as non-accrual for $61,000 and it is included in the other consumer loan segment.

On the following table are the financing receivables on nonaccrual status as of December 31, 2019 and 2018. The balances are presented by class of financing receivable.

(Dollars in 000s)		As of December 31, 2019		As of December 31, 2018
Commercial	$	56	$	242
Commercial real estate		412		2,023
Secured by residential real estate		1,503		1,961
Home equity lines of credit		580		566
Consumer - other		61		-
Total	$	2,612	$	4,792

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a Troubled Debt Restructuring ("TDR"). Management strives to identify borrowers in financial difficulty early and work with them to modify more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring by calculating the present value of the revised loan terms and comparing this balance to the Bank's investment in the loan prior to the restructuring. As these loans are individually evaluated for impairment, they are excluded from pooled portfolios when calculating the allowance for loan and lease losses and a separate allocation within the allowance for loan and lease losses is provided. Management continually evaluates loans that are considered TDRs, including payment history under the modified loan terms, the borrower's ability to continue to repay the loan based on continued evaluation of their operating results, and cash flows from operations.

Loan modifications that are considered TDRs completed during the years ended December 31, 2019 and 2018, were as follows:

(Dollars in 000s)	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
2019					
Troubled debt restructurings:					
Commercial	1	$	65	$	65
Commercial real estate	2		850		850
Secured by residential real estate	4		468		468
Home equity lines of credit	1		164		164
Total	8	$	1,547	$	1,547

5. Allowance for Loan Losses (Continued)

Troubled Debt Restructurings (Continued)

(Dollars in 000s)	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
2018					
Troubled debt restructurings:					
Secured by residential real estate	8	$	1,477	$	1,477
Consumer - indirect automobile financing	1		30		30
Consumer - other	2		67		67
Total	11	$	1,574	$	1,574

All of the TDRs are performing and are in compliance with their modified terms and there were no commitments to lend more funds to these borrowers. The restructuring of the majority of loans for both 2019 and 2018 was either an extension of the maturity date or temporary reduction or moratorium on the payment terms or amounts. No modifications involved any changes in principal balances for 2019 or 2018.

6. Mortgage Servicing

The Bank entered into agreements to sell residential mortgages to the FHLB of Pittsburgh. The agreements include a maximum credit enhancement of $397,000 which the Bank may be required to pay if realized losses on any of the sold mortgages exceed the amount held in the FHLB's Spread Account. The FHLB is funding the Spread Account at 0.04 percent of the outstanding balance of loans sold annually. The Bank's historical losses on residential mortgages have been lower than the amount that will be funded to the Spread Account. Therefore, the Bank does not anticipate paying a credit enhancement and has not recorded a liability for the credit enhancement. As compensation for the credit enhancement, the FHLB is paying the Bank 0.10 percent of the outstanding loan balance in the portfolio on a monthly basis.

Loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balances of mortgage loans serviced for others were $78,280,000 and $77,461,000 at December 31, 2019 and 2018, respectively.

The Bank retains the servicing on certain loans sold to the FHLB and receives a fee based upon the principal balance outstanding. The balance of mortgage servicing rights included in other assets on the balance sheets was $224,000 and $215,000 at December 31, 2019 and 2018. Mortgage servicing fee income for the years ended December 31, 2019 and 2018 was $128,000 and $121,000, respectively, which is included in mortgage banking activities in the Statements of Income.

The following summarizes mortgage servicing rights capitalized and amortized:

(Dollars in 000s)		Years Ended December 31, 2019		2018
Beginning Balance	$	215	$	234
Mortgage servicing rights capitalized		87		71
Mortgage servicing rights amortized		(78)		(90)
Ending balance	$	224	$	215

7. Bank Premises and Equipment

Components of Bank premises and equipment are as follows:

(Dollars in 000s)		December 31, 2019		2018
Land and improvements	$	2,253	$	1,978
Buildings		8,912		8,634
Furniture and equipment		3,710		3,560
Contruction in progress		391		-
Right of Use assets		2,463		-
Total premises and equipment	$	17,729	$	14,172
Less accumulated depreciation		(5,851)		(5,371)
Net premises and equipment	$	11,878	$	8,801

Depreciation expense for the years ended December 31, 2019 and 2018 was approximately $604,000 and $519,000, respectively.

The Bank had contractual commitments for the construction of a new branch office of $1,237,000 of which $351,000 had been paid as December 31, 2019.

The Bank leases land and office space under operating leases. Rental expense for these leases was $410,000 and $387,000 for years ended December 31, 2019 and 2018 respectively. Future lease payments under operating leases are present below along with remaining average lease term and discount rate:

(Dollars in 000s)		December 31, 2019
2020	$	350
2021		353
2022		361
2023		311
2024		240
Thereafter		1,271
Total		2,886
Less: Inputed interest		394
Total operating lease liabilities		2,492
Weighted average remaining lease term in years		9.40
Weighted average discount rate		3.39%

All leases are operating leases. Below is a table the operating lease right of use (ROU) assets and lease liabilities.

(Dollars in 000s)	December 31, 2019
Right of Use assets	2,463
Lease Liability	2,492

7. Bank Premises and Equipment (Continued)

Our operating leases predominantly expire within the next 4 to 14 years with the longest expiring in 14 years.

Location Name	Term	Expiration of Term	Lessee Renewal Options
Quentin	5 years	2023	None
Smile Center	5 years	2023	Two 5 year renewal periods
Ephrata	15 years	2026	One 15 year period
Northside	20 years	2030	Two 5 year renewal periods
Lititz	15 years	2032	One 15 year period

We do not include renewal or termination options in the establishment of the lease term when we are not reasonably certain that we will exercise them.

8. Deposits

The composition of deposits is as follows:

(Dollars in 000s)	December 31, 2019	2018
Demand, non-interest-bearing	$ 57,922	$ 50,145
Checking with interest and money market	246,013	236,247
Savings	56,025	46,834
Time deposits greater than $250,000	22,573	21,659
Other time deposits	155,802	147,567
Total	$ 538,335	$ 502,452

At December 31, 2019, the scheduled maturities of time deposits are as follows:

(Dollars in 000s)	Years Ended December 31,
2020	$ 105,226
2021	34,452
2022	23,843
2023	13,175
2024	1,679
Total	$ 178,375

Jonestown Bank & Trust Co.

9. Employee Benefits

The Bank has a defined contribution 401(k) plan for employees who meet the eligibility requirements set forth in the plan. All of the Bank's employees that are 21 years and older are eligible for the plan. The Bank increased its match in 2013 to 100% of elective contributions of employees not to exceed 4% of the employee's salary, plus 50% of the employee's elective contribution that exceed 4% of their salary but not to exceed 6% of their salary. The Bank's contributions to this plan were $288,000 in 2019 and $255,000 in 2018.

The Bank has a noncontributory defined benefit pension plan (the "Plan") covering substantially all employees hired prior to February 1, 2006. The Plan's benefit formulas generally base payments to retired employees upon their length of service and the employees' average monthly compensation. This plan was frozen as of December 31, 2012 and no employees are accruing any more benefits.

The following table sets forth the Plan's funded status and the amounts recognized in the Bank's financial statements. The measurement date for purposes of these valuations was December 31, 2019 and 2018.

(Dollars in 000s)	December 31, 2019	2018
Change in benefit obligation		
Benefit obligation at beginning of year	$ 3,517	$ 4,200
Interest cost	146	149
Actuarial (gain) loss	547	(388)
Benefits paid	(87)	(85)
Settlements	(112)	(359)
Benefit obligation at end of year	4,011	3,517
Change in plan assets		
Fair value of plan assets at beginning of year	3,352	4,000
Employer contribution	-	-
Actual return on plan assets	612	(204)
Benefits paid	(87)	(85)
Settlements	(112)	(359)
Fair value of plan assets at end of year	3,765	3,352
Funded status (Included in other liabilities)	$ (246)	$ (165)
Amounts recognized in the Balance Sheets consist of:		
Accrued benefit cost in other liabilities	$ (246)	$ (165)
Accumulated other comprehensive loss	1,085	1,036
Net amount recognized	$ 839	$ 871
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
Net actuarial loss	$ (1,085)	$ (1,036)
Deferred tax benefit	228	218
Total	$ (857)	$ (818)

9. **Employee Benefits (Continued)**

Net periodic pension expense included the following components:

(Dollars in 000s)		Years Ended December 31, 2019		2018
Interest cost	$	146	$	149
Expected return on plan assets		(198)		(256)
Settlement Charge		-		105
Net amortization and deferral		83		62
Net periodic pension expense	$	31	$	60

The components of net periodic benefit cost are included in salaries and employee benefits in the Statements of Income.

The accumulated benefit obligation was $4,011,000 and $3,517,000 at December 31, 2019 and 2018 respectively.

The following is a summary of actuarial assumptions used for the Bank's pension plan:

	December 31, 2019	2018
Discount rate	3.22%	4.22%
Expected long-term return on Plan assets	5.75%	6.00%
Rate of compensation increase	N/A	N/A

The estimated net actuarial gain that will be amortized into net periodic pension cost over the next year is $31,000.

The selected long-term rate of return on Plan assets (5.75 percent) was primarily based on the asset allocation of the Plan's assets. Analysis of the historic returns on these asset classes and projections of expected future returns were considered in setting the long-term rate of return.

The Bank's pension plan target asset allocations, by asset category, are as follows:

	December 31, 2019	2018
Equities	65%	65%
Fixed income	35%	35%
Other	0%	0%
Total	100%	100%

9. **Employee Benefits (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	As of December 31, 2019							
(Dollars in 000s)		Level I		Level II		Level III		Total
Assets:								
Mutual funds:								
Equities								
Large-Cap Value	$	233	$	-	$	-	$	233
Large-Cap Core		332		-		-		332
Mid-Cap Core		272		-		-		272
Small-Cap Core		111		-		-		111
International Core		558		-		-		558
Large Cap Growth		516		-		-		516
Small/midcap Growth		146		-		-		146
Fixed income								
Fixed Income- US Core		986		-		-		986
Intermediate Duration		336		-		-		336
Other				250				250
Cash Equivalent		25		-		-		25
Total assets at fair value	$	3,515	$	250	$	-	$	3,765

	As of December 31, 2018							
(Dollars in 000s)		Level I		Level II		Level III		Total
Assets:								
Mutual funds:								
Equities								
Large-Cap Value	$	198	$	-	$	-	$	198
Large-Cap Core		269		-		-		269
Mid-Cap Core		221		-		-		221
Small-Cap Core		98		-		-		98
International Core		471		-		-		471
Large Cap Growth		411		-		-		411
Small/midcap Growth		120		-		-		120
Fixed income								
Fixed Income- US Core		972		-		-		972
Intermediate Duration		326		-		-		326
Other		-		209		-		209
Cash Equivalent		57		-		-		57
Total assets at fair value	$	3,143	$	209	$	-	$	3,352

9. Employee Benefits (Continued)

The Bank does not expect to contribute to its pension plan in 2020.

The following benefit payments are expected to be paid:

(Dollars in 000s)	Years Ended December 31,
2020	$ 112
2021	129
2022	139
2023	148
2024	156
2025 through 2029	906
	$ 1,590

10. Borrowed Funds

The Bank has available a $25 million line with the FHLB of Pittsburgh. This line expires in May 2020. The interest rate on this line was 1.81 percent at December 31, 2019, and 2.62 percent at December 31, 2018. The outstanding balance under this line as of December 31, 2019 and 2018 was $ 0 and $ 0 respectively. The Bank also has an unsecured $7.5 million line with the Atlantic Community Bankers Bank (ACBB), which was not used in 2019 or 2018. The Bank also entered into unsecured subordinated debt with ACBB in 2015, maturing in November 2025, at a fixed rate of 5.5% for five years and then a variable rate based on prime rate plus 0.50% for the last five years. The debt can be redeemed after November 2020.

Long-term debt is composed of the following FHLB fixed-rate advances and ACBB subordinated debt:

(Dollars in 000s) Maturity Date		Rate	December 31, 2019	2018
June 2019	(Non-amortizing)	1.68 %	$ -	$ 2,000
Dec 2019	(Non-amortizing)	1.77	-	10,000
June 2020	(Non-amortizing)	1.84	10,000	10,000
June 2021	(Non-amortizing)	1.97	3,000	3,000
May 2022	(Non-amortizing)	2.37	3,000	-
May 2022	(Non-amortizing)	2.33	3,000	-
May 2023	(Amortizing)	4.57	728	920
May 2023	(Amortizing)	4.68	395	500
November 2025 subordinated debt		5.50	3,000	3,000
(requires $150,000 quarterly payments beginning in November 2020)				
			$ 23,123	$ 29,420

10. Borrowed Funds (Continued)

The following table represents maturities/repayments of the remaining FHLB advances and subordinated debt at December 31, 2019:

(Dollars in 000s)	Amount
2020	$ 10,460
2021	3,926
2022	6,940
2023	747
2024	600
Thereafter	450
Total	$ 23,123

Borrowings from the FHLB are collateralized by certain qualifying assets of the Bank with an approximate value of $237,770,000 at December 31, 2019. The Bank has a maximum borrowing capacity with the FHLB of approximately $162,327,000 of which $38,873,000 is outstanding and includes $18,750,000 in total letters of credits issued to municipalities to secure deposits.

The following table represents the activity related to the Bank's short-term borrowings under the $25 million line of credit with the FHLB of Pittsburgh:

(Dollars in 000s)	As of and for the Years Ended December 31, 2019	2018
Balance at year-end	$ -	$ -
Average balance outstanding during the year	-	10,639
Maximum amount outstanding at any month-end	-	19,181
Weighted-average interest rate:		
As of year-end	1.81 %	2.62 %
Paid during the year	- %	2.27 %

11. Related-Party Transactions

The Bank has had banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, and their affiliated companies (related parties) on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. A summary of loan activity during the year ended December 31, 2019 is as follows:

Balance at December 31, 2018	Additions	Amount Collected	Balance at December 31, 2019
$2,639,000	$397,000	$1,474,000	$1,562,000

Deposits from related parties totaled $5,611,000 and $5,586,000 as of December 31, 2019 and 2018 respectively.

12. Off-Balance Sheet Commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

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

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

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next 12 months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit, as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

A summary of the Bank's financial instrument commitments is as follows:

(Dollars in 000s)	December 31, 2019	2018
Commitments to extend credit	$ 18,402	$ 21,858
Unfunded commitments	83,112	79,799
Standby letters of credit	9,048	9,205
Total	$ 110,562	$ 110,862

13. Income Taxes

The provision for federal income taxes consisted of the following:

(Dollars in 000s)	Years Ended December 31, 2019	2018
Current	$ 995	$ 737
Deferred	138	197
Total	$ 1,133	$ 934

13. Income Taxes (continued)

Reconciliation of the statutory income tax expense computed at 21% to the income tax expense included in the Statements of Income is as follows:

(Dollars in 000s)	Years Ended December 31, 2019		2018	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 1,381	21.0 %	$ 1,214	21.0 %
Tax exempt interest, net	(175)	(2.7)	(217)	(3.8)
Life insurance	(62)	(1.0)	(45)	(0.8)
Other, net	(11)	(0.1)	(18)	(0.3)
Actual tax expense and effective rate	$ 1,133	17.2 %	$ 934	16.1 %

Net deferred tax assets (liabilities) consisted of the following components:

(Dollars in 000s)	As of December 31, 2019	2018
Deferred tax assets:		
Allowance for loan losses	$ 1,214	$ 1,090
Other pension adjustments	228	218
Nonaccrual loan interest	44	75
Net unrealized loss on securities	-	67
Deferred loan fees	244	189
Deferred gains from sale of assets	23	54
Other	83	63
Total deferred tax assets	1,836	1,756
Deferred tax liabilities:		
Accrued pension	(189)	(183)
Net unrealized gain on securities	(127)	-
Premises and equipment	(435)	(464)
Deferred loan fees costs	(1,560)	(1,277)
Mortgage servicing rights	(47)	(45)
Prepaid expenses	(100)	(85)
Total deferred tax liabilities	(2,458)	(2,054)
Net deferred tax assets (liability)	$ (622)	$ (298)

14. Concentration of Credit Risk

The Bank grants commercial, residential, and consumer loans to customers primarily located in Lebanon County, Pennsylvania. The concentrations of credit by type of loan are set forth in Note 4. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy.

15. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets and liabilities and certain off-balance sheet items as calculated under regulatory accounting practices.

The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of Total, Tier I capital and Common Equity Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2019, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2019, the most recent notification from the Federal Deposit Insurance Corporation 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.

The Bank's actual capital amounts and ratios as of December 31 are also presented below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in 000s)	Amount	Ratio	≥ Amount	≥ Ratio	≥ Amount	≥ Ratio
Total capital (to risk-weighted assets)						
2019	$ 68,061	12.76 %	$ 42,746	8.00 %	$ 53,433	10.00 %
2018	$ 63,909	12.5 %	$ 40,915	8.00 %	$ 51,144	10.00 %
Tier I capital (to risk-weighted assets)						
2019	$ 58,747	11.01 %	$ 32,060	6.00 %	$ 42,746	8.00 %
2018	$ 54,971	10.75 %	$ 30,686	6.00 %	$ 40,915	8.00 %
Tier I capital (to average assets)						
2019	$ 58,747	9.28 %	$ 25,388	4.00 %	$ 31,735	5.00 %
2018	$ 54,971	9.41 %	$ 23,366	4.00 %	$ 29,208	5.00 %
Common equity tier one capital (to risk-weighted assets)						
2019	$ 58,747	11.01 %	$ 24,045	4.50 %	$ 34,731	6.50 %
2018	$ 54,971	10.75 %	$ 23,015	4.50 %	$ 32,244	6.50 %

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2019, $46,807,000 of retained earnings was available for dividend declaration without prior regulatory approval, subject to the above regulatory capital requirements.

16. Fair Value

The framework for measuring fair value provides 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) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Table 820 are described as follows:

Level I: Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level II: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III*:* Inputs that are unobservable inputs for the asset or liability.

16. Fair Value (Continued)

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

All securities available for sale are priced using pricing models, quoted prices of securities with similar characteristics or using discounted cash flows and therefore are classified in the level 2 hierarchy.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2019 and 2018 are as follows:

	As of December 31, 2019			
(Dollars in 000s)	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
Certificates of deposit	$ -	$ 1,997	$ -	$ 1,997
Obligations of states and political subdivisions	-	5,732	-	5,732
Mortgage-backed securities in government-sponsored entities	-	29,275	-	29,275
Total	$ -	$ 37,004	$ -	$ 37,004

	As of December 31, 2018			
(Dollars in 000s)	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
Certificates of deposit	$ -	$ 2,603	$ -	$ 2,603
Obligations of states and political subdivisions	-	11,119	-	11,119
Mortgage-backed securities in government-sponsored entities	-	26,843	-	26,843
Total	$ -	$ 40,565	$ -	$ 40,565

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

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

Other Real Estate Owned

Certain assets such as other real estate owned (OREO) acquired through foreclosure are initially recorded at fair value of the property at the transfer date less estimated selling costs. At or near the time of foreclosure, real estate appraisals are obtained on the properties acquired through foreclosure in order to establish fair value. Appraised values are typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Bank using observable market data or on a recent sale offer (Level 2). However, if the appraisal for the acquired property is over two years old, then the fair value is considered Level 3. The estimate of costs to sell the property is based on historical transactions of similar holdings. There were no OREO properties with write-downs during the years ended December 31, 2019 or 2018.

16. Fair Value (Continued)

Impaired Loans

Loans of a commercial nature are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan, the fair value of the collateral (if collateral dependent), or the present value of expected future cash flows. Fair value is measured based on the value of the collateral securing the loan less estimated costs to sell or the expected present value of future cash flows. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The value of the collateral is typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Bank using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is stale, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business' financial statements if not considered significant. Likewise, values for inventory and accounts receivable collateral are based on financial statement balances or aging reports (Level 3). Impaired loans with an allocation to the allowance for loan losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Statements of Income.

The fair value of impaired loans reported below is based on the total impaired loans with a specific allowance for loan loss allocation less the total allocations for such loans, while the fair value measurement level is based on the age of the underlying appraisal of the collateral securing the loans. Specific allocations to the allowance for loan losses for impaired loans were $111,000 and $205,000 at December 31, 2019 and 2018, respectively.

There were no loans held for sale as of December 31, 2019 or December 31, 2018.

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2019 and 2018 are as follows:

	As of December 31, 2019			
(Dollars in 000s)	Level I	Level II	Level III	Total
Impaired loans	$ -	$ -	$ 856	$ 856
Other real estate owned	-	-	191	191
Total	$ -	$ -	$ 1,047	$ 1,047

	As of December 31, 2018			
(Dollars in 000s)	Level I	Level II	Level III	Total
Impaired loans	$ -	$ -	$ 435	$ 435
Other real estate owned	-	-	433	433
Total	$ -	$ -	$ 868	$ 868

16. Fair Value (Continued)

Impaired Loans (Continued)

The following table provides a listing of the significant unobservable inputs used in the fair value measurement process for items valued utilizing Level III techniques:

	As of December 31, 2019				
(Dollars in 000s)		Fair Value	Valuation Techniques	Unobservable Input	Range
Impaired Loans	$	856	Appraised collateral values and discounted cash flows	Discount for time since appraisal Selling costs	0-30% 0-8%
Other real estate owned	$	191	Appraised collateral values	Selling costs	0-8%

	As of December 31, 2018				
(Dollars in 000s)		Fair Value	Valuation Techniques	Unobservable Input	Range
Impaired Loans	$	435	Appraised collateral values and discounted cash flows	Discount for time since appraisal Selling costs	0-30% 0-8%
Other real estate owned	$	433	Appraised collateral values	Selling costs	0-8%

17. Fair Values of Financial Instruments

The following information should not be interpreted as an estimate of the fair value of the entire Bank, since a fair value calculation is only provided for a limited portion of the Bank's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Bank's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments at December 31, 2019 and 2018.

Cash and due from banks and interest bearing balances with other banks
The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets' fair values.

Securities available for sale and held to maturity
The Bank utilizes a third-party source to determine the fair value of its securities available for sale (carried at fair value) and held to maturity (carried at amortized cost). The methodology consists of pricing models based on asset class and includes available trade, bid, other market information, broker quotes, proprietary models, various databases and trading desk quotes, some of which are heavily influenced by unobservable inputs. The carrying amount of time certificates of deposit approximates its fair value.

Jonestown Bank & Trust Co.

17. Fair Values of Financial Instruments (Continued)

Loans receivable
For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for other loans (e.g., residential real estate and consumer loans) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Restricted investment in Bank stock
The carrying amount of restricted investment in Bank stock approximates fair value.

Accrued interest receivable and payable
The carrying amount of accrued interest receivable and accrued interest payable approximates its fair value.

Mortgage servicing rights
The fair value of mortgage servicing rights is based on observable market prices, when available, or the present value of expected future cash flows.

Deposits
The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Short-term debt
The amounts of short-term debt approximate their fair value.

Long-term debt
Fair values of long-term debt are estimated using discounted cash flow analysis, based on rates currently available to the Bank for advances from the FHLB with similar terms and remaining maturities.

Off-balance sheet financial instruments
Fair values for the Bank's off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

17. Fair Values of Financial Instruments (Continued)

The estimated fair values of the Bank's financial instruments were as follows at December 31, 2019 and 2018:

	Carrying	Fair	As of December 31, 2019		
(Dollars in 000s)	Amount	Value	Level I	Level II	Level III
Financial assets:					
Cash and due from banks	$ 3,987	$ 3,987	$ 3,987	$ -	$ -
Interest Bearing Balances with other Banks	20,783	20,783	20,783	-	-
Available-for-sale securities	37,004	37,004	-	37,004	-
Held-to-maturity securities	832	832	-	832	-
Net loans	532,993	545,104	-	544,248	856
Accrued interest receivable and dealer reserve	1,929	1,929	1,929	-	-
Restricted investment in Bank stock	1,836	1,836	-	1,836	-
Mortgage servicing rights	224	524	-	524	-
Financial liabilities:					
Deposits	$ 538,335	$ 539,955	$ -	$ 539,955	$ -
Long-term debt	23,123	23,926	-	23,926	-
Accrued interest payable	246	246	246	-	-

	Carrying	Fair	As of December 31, 2018		
(Dollars in 000s)	Amount	Value	Level I	Level II	Level III
Financial assets:					
Cash and due from banks	$ 3,355	$ 3,355	$ 3,355	$ -	$ -
Interest Bearing Balances with other Banks	10,519	10,519	10,519	-	-
Available-for-sale securities	40,565	40,565	-	40,565	-
Held-to-maturity securities	843	844	-	844	-
Net loans	505,466	501,234	-	500,799	435
Accrued interest receivable and dealer reserve	1,999	1,999	1,999	-	-
Restricted investment in Bank stock	1,734	1,734	-	1,734	-
Mortgage servicing rights	215	581	-	581	-
Financial liabilities:					
Deposits	$ 502,452	$ 500,779	$ -	$ 500,779	$ -
Long-term debt	29,420	29,411	-	29,411	-
Accrued interest payable	217	217	217	-	-

18. Contingencies

The Bank is subject to claims and lawsuits which arise primarily in the ordinary course of business. Based on information presently available and advice received from legal counsel representing the Bank in connection with any such claims and lawsuits, it is the opinion of management that the disposition or ultimate determination of any such claims and lawsuits will not have a material adverse effect on the financial position, results of operations or liquidity of the Bank.

19. Subsequent Events

Management has reviewed events occurring through March 5, 2020, the date the financial statements were available to be issued and no subsequent events occurred requiring disclosure.

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