2021 ANNUAL REPORT

JBT BANCORP, INC.

Inspiring Confidence

Inspiring Confidence
In More Clients

JBT continued to inspire confidence in families, individuals and businesses through our goal to improve their financial lives, with over 430 new households joining JBT in 2021.

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At JBT's Quentin Road location, Community Associate Sarah Conrad (center) helps individuals and business owners Bank on a Smile® each day.

***Front Cover:** Joseph Reece, 11, enjoys a paperback while his brother Wyatt, 14, and sister Calah, 23, are sitting behind him reading great books, too. Calah works as Youth Librarian at the Annville Free Library.*

Inspiring Confidence

In More Businesses

JBT's participation in the Paycheck Protection Program (PPP) resulted in a total of 472 PPP loans totaling more than $25 million. Those loans helped area businesses and their employees make it through the financial challenges of the pandemic; saving 4,165 jobs and impacting the lives of an estimated 12,495 people in the region JBT serves.

JBT's 2021 PPP Task Force Team:
Ed Martel, Chief Operating Officer (above left)
Kody Sitch, AVP, Consumer Lending Sales Manager (above right)
Shannon Leonhard, AVP, Commercial Relationship Manager
Rick Rollman, Chief Lending Officer
Michael Grenier, Chief Risk Officer
Paul Stauffer, AVP, Branch Manager

Paul Stauffer

Shannon Leonhard, Paul Stauffer, Michael Grenier

Shannon Leonhard

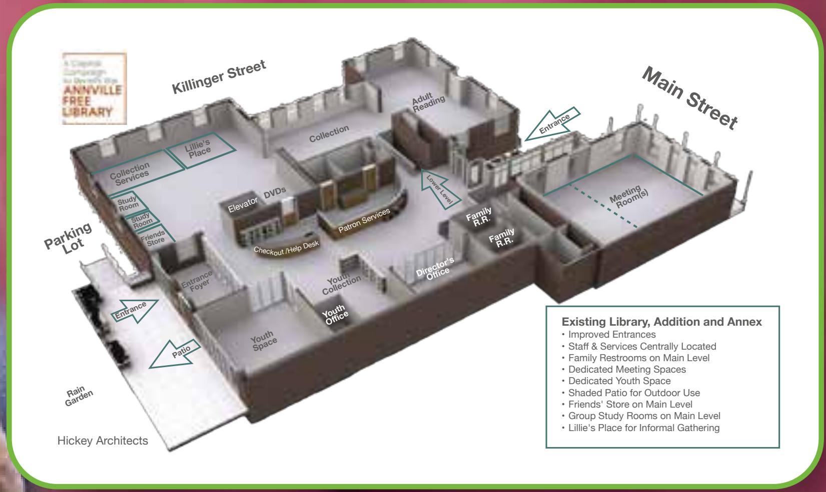
Kody Sitch, Rick Rollman

Inspiring Confidence
In More Communities

JBT's $50,000 donation to the Annville Free Library's *Writing the Next Chapter* campaign was just one of many financial and volunteer outreach efforts that inspired confidence in our communities in 2021. Over the past decade, JBT employees have volunteered an average of more than 1,800 hours of community service per year.

Children's Librarian Cindy Funck inspires young readers, like her 4-year-old twin granddaughters Claire and Halle Schneider, with story time presentations and engaging activities at the Annville Free Library.

Thanks to the financial support of JBT and others, the Annville Free Library can write its next chapter more confidently. These architectural renderings reveal the capital improvements planned. Learn more about the initiative at ***www.writingthenextchapter.org.***



JBT President & CEO Troy A. Peters (left) presents a $50,000 donation to Frank Yeager, Annville Free Library Board Treasurer, and Martin Brandt, Annville Free Library Board President.

Mackenzie Risser, 5, of Lebanon

Aimee Reece, 8, of Lebanon

Jaime Hansson, AVP, Human Resources Manager, is a Certified Bank Training Professional helping to develop employee skills through JBT's Leadership Development Program. She inspires future leaders to grow professionally and personally for success, service, and improved work-life balance.

Inspiring Confidence In More Employees

Experience and expertise are two ways JBT inspires confidence in our clients and employees. JBT's commitment to ongoing training, education and development for employees helps them grow and succeed in their roles which in turn enables them to continue to meet and exceed JBT clients' expectations.

Board of Directors

Seated L-R:

Edward L. Anspach
Second Vice Chairman and Secretary
Director 1987 · President, Anspach Autos

Glenn T. Wenger
Vice Chairman · Director 2008
President, Wengers of Myerstown; Chairman, Ag Industrial, Inc.; President, JK&B Inc.

Richard J. Newmaster, Jr. CPA
Chairman · Director 2004
Chief Financial Officer, Lebanon Seaboard Corp.

Troy A. Peters
Director 2016 · President and Chief Executive Officer, JBT Bancorp, Inc., Jonestown Bank & Trust Co.

Jeffrey L. Bohn
Director 1987 · Former Owner & President, JP Donmoyer, Inc.; Executive Director, Shining Light

Standing L-R:

Eric A. Trainer
Director 2011 · Co-owner & Operator, Trainer's Midway Diner, Quality Inn at Midway, Microtel Inn & Suites - Hamburg, Pappy T's Pub & Lounge-Hamburg

Sallie A. Neuin
Director 2009 · Lebanon County Treasurer; Lebanon County Tax Claim Director

Lloyd A. Deaven, Jr.
Director 1998 · President, Patriot Auto Parts (Retired)

Edwin C. Hostetter II CPA CGMA
Director 2013 · CPA (Inactive) and Management Consultant; Vice President of Finance / Chief Financial Officer, SSM Group, Inc. (Retired)

Brian R. Miller
Director 2015 · Insurance Agency Principal, Richard S. Miller, Inc.

Executive Officers

Seated L-R:

C. William Roth
Chief Financial Officer

Troy A. Peters
President
Chief Executive Officer

Edward T. Martel, Jr.
Chief Operating Officer

Standing L-R:

Richard M. Rollman
Chief Lending Officer

Michael E. Grenier
Chief Risk Officer

Timothy D. Gingrich
Chief Information Officer

Inspiring Confidence

What Are **JBT SMILE Standards**?

Our SMILE Standards were developed by JBT employees as they considered the qualities, characteristics and commitments that are vital to achieve our goal of Inspiring Confidence. These standards serve as the expectations for everyone within JBT, no matter their role or responsibility.

SINCERE *> Show sincerity through genuine care for clients and teammates, taking time to listen and understand. Willing to assist others.*

MEMORABLE *> Provide personalized service, and go the extra mile. Be proactive in identifying ways to improve the financial lives of clients.*

INTEGRITY *> Trustworthy, honest, reliable, with ethics beyond reproach.*

LEADERSHIP *> Show leadership by being accountable and dependable, delivering superior results, and striving to achieve excellence.*

EXPERTISE *> Thoroughly knowing the job, striving to learn every day, and educating clients on how JBT can help them.*

Letter to Shareholders

Troy A. Peters
President & Chief Executive Officer

Impromptu meeting among (from left) Bob Weidler, CFO; Troy Peters, President/CEO; and Michael Grenier, CRO.

We entered the year focused on **Inspiring Confidence**. Trust is something that is earned. It is vitally important, and to achieve it we remain committed to our SMILE Standards.

The goal of inspiring confidence in all our clients, employees, communities, regulators, and shareholders is what guides our actions daily. We are proud of the progress we have made, which is evidenced by:

- **Our financial results - both in growth and profitability.**
- **Improving the financial lives of our clients through reliable household acquisition.**
- **Supporting regional employers and employees with the Paycheck Protection Program (PPP).**
- **Strong employee engagement and clear career-growth opportunities.**
- **Giving back to the community through charitable contributions and employee volunteerism.**
- **Maintaining a positive relationship with our regulators.**

YEAR OF GROWTH

It was a strong year for growth and a record year for earnings. The Company grew assets by 10.9% to $832.5 million. Loan growth finished at 11.0% and deposits were up 11.7%. Net income finished at $6.4 million, up 26.3% from the prior year.

Net income was influenced by improving interest earned on loans while decreasing interest expense. We also benefited from income related to PPP lending and a reduction in our loan loss provision expense due to strong credit quality. In the prior year, precipitated by the pandemic, we extended accommodations such as payment relief to many borrowers as jobs and businesses were negatively impacted. We were very pleased with the resilience of our borrowers as they recovered from uncertainties and brought their loans back into performing status.

At last year's annual meeting, shareholders approved the formation of a bank holding company and on May 4, 2021, JBT Bancorp Inc. was formed. This structure allows for greater

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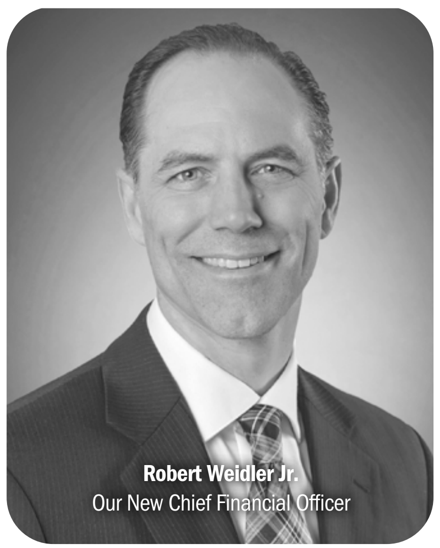
operating flexibility including capital augmentation. Late in the year, the Company issued $10 million in subordinated debt to provide for our continued growth.

We also continued our investment in technology. During the first quarter, we completed a core system conversion which allows us to strengthen products and services going forward. Evolving client expectations and behavior was accelerated by the pandemic. We saw a 400% increase in digital interaction, specifically through mobile banking and the use of electronic signatures, as the long-time trend of paper-based transactions continued to decrease. We introduced Zelle®, a real-time person-to-person payment platform, inside our mobile application. Our call center hours expanded and we now offer secure banker/client appointments via video connection.

There were two noteworthy developments related to retirement community banking. First, we closed our Londonderry Village office at the end of the year and shifted service to our Northside Commons location. Second, in the fall we began a relationship with Luther Acres retirement community in Lititz and have begun onboarding new client relationships. We do not have an office on their campus as we service those clients primarily from our existing Lititz location and by appointment at the retirement community.


Robert Weidler Jr.
Our New Chief Financial Officer

EXECUTIVE TEAM

There were some changes to the executive team in 2021. In the spring, Michael E. Grenier joined the team in the newly created Chief Risk Officer position. Michael has been with JBT for nearly a decade and most recently served as our Credit Administration and Risk Management Officer. During his time with JBT he has greatly enhanced our credit administration efforts including collections and workout processes. In addition to his prior duties, Michael has overall responsibilities for compliance, Bank Secrecy Act/Anti Money Laundering, loan review, fraud and security.

Early in the year, C. William Roth, our Chief Financial Officer (CFO), announced his plans to retire in the fall. During Bill's 18-year tenure, JBT's assets grew to be four times larger than when he began in 2003. I enjoyed working with Bill and always appreciated his expertise and contributions to our executive team. Our entire organization wishes him the best in a well-deserved retirement.

Fortunately, we found an outstanding person to succeed him in the CFO position. Robert "Bob" Weidler Jr. started with us in the early fall and brought over 25 years of bank financial experience. He has hit the ground running and has already contributed to the JBT team substantially.

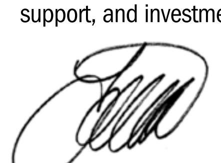
2022 FOCUS

In the year ahead, we will continue pursuing our goal of Inspiring Confidence. Two important ways we measure our success are by growing core households and retaining existing profitable core households. To support our acquisition and retention efforts, we will continue to invest in our digital transformation strategy that will make banking with JBT easier. We will introduce platforms that will enable bankers to leave the office and service clients where it is most convenient for them. We will also provide a better online account opening experience and unveil a new system that will better integrate internet, mobile, bill payment, mobile capture, and provide access to non-JBT applications. Additionally, preparation is underway to streamline our lending processes and make our internal functions more efficient.

Through the effective execution of these strategies and initiatives we will be better positioned to meet the expectations of our clients and to grow profitably.

THANK YOU

Much progress was made during the year, and there remains a lot of opportunity ahead. On behalf our Board of Directors and our employees, I thank you for your continued interest, support, and investment.

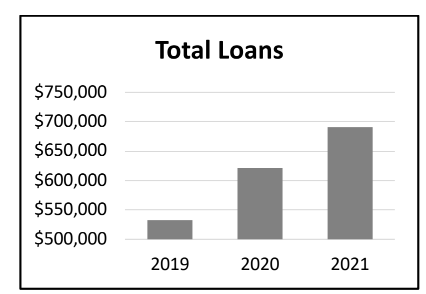


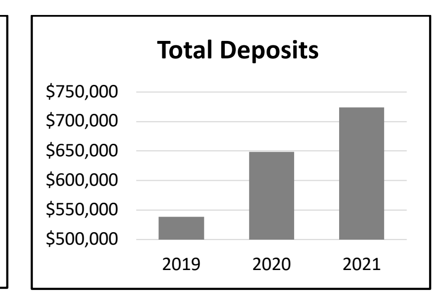
Troy A. Peters
President & Chief Executive Officer

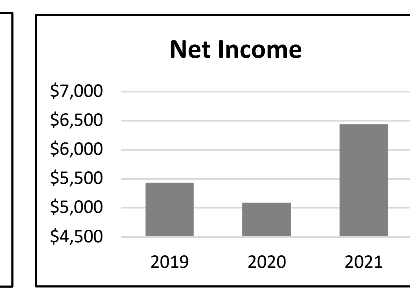
JBT Bancorp, Inc.

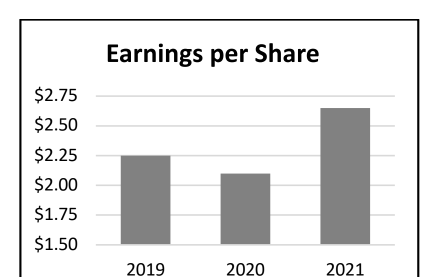
Financial Highlights

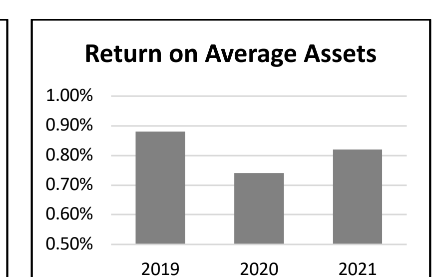
(Dollars in thousands, except per share amounts)	2021	2020	Change
Results of Operations			
Net interest income	**26,741**	22,262	20.1%
Provision for loan losses	**936**	2,024	-53.8%
Net income	**6,436**	5,094	26.3%
Per Share Data			
Basic earnings	**2.65**	2.10	26.2%
Cash dividends	**0.84**	0.80	5.0%
Book value	**27.43**	25.67	6.9%
Financial Condition at Year-end			
Assets	**832,579**	750,757	10.9%
Deposits	**724,211**	648,243	11.7%
Loans Receivable, net	**690,764**	622,096	11.0%
Allowance for loan loss	**8,318**	7,675	8.4%
Stockholders' equity	**66,767**	62,361	7.1%
Financial ratios			
Return on average assets	**0.82%**	0.74%	10.8%
Return on average equity	**9.99%**	8.48%	17.8%

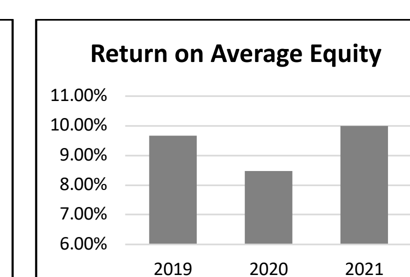












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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
JBT Bancorp, Inc.

Opinion

We have audited the accompanying consolidated financial statements of JBT Bancorp, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JBT Bancorp, Inc. and its subsidiary as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JBT Bancorp, Inc. and its subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JBT Bancorp, Inc. and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JBT Bancorp, Inc. and subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Smith Elliott Kearns & Company, LLC

Hagerstown, Maryland
March 1, 2022

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)	December 31, 2021	2020
ASSETS		
Cash and due from banks	$ 8,025	$ 5,529
Interest bearing deposits in other banks	64,096	57,605
Securities available for sale	34,817	29,421
Securities held to maturity	419	823
Loans	699,082	629,771
Less allowance for loan losses	8,318	7,675
Net loans	690,764	622,096
Restricted investment in bank stock	1,681	1,894
Foreclosed assets	213	119
Premises and equipment	11,653	12,343
Investment in life insurance	15,793	15,474
Accrued interest receivable	3,161	3,859
Other assets	1,957	1,594
TOTAL ASSETS	$ 832,579	$ 750,757
LIABILITIES		
Deposits:		
Non-interest-bearing	$ 114,934	$ 82,986
Interest-bearing	609,277	565,257
Total deposits	724,211	648,243
Long-term debt	25,237	31,688
Subordinated debt	9,894	3,000
Accrued interest payable and other liabilities	6,470	5,465
TOTAL LIABILITIES	$ 765,812	$ 688,396
STOCKHOLDERS' EQUITY		
Preferred stock, no par value; $1,000 per share liquidation preference; 3,996,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $2.00; 6,000,000 shares authorized; issued and outstanding 2,433,696 and 2,429,181 on December 31, 2021 and December 31, 2020	4,867	4,858
Surplus	7,394	7,302
Retained earnings	54,355	49,963
Accumulated other comprehensive income (loss)	151	238
TOTAL STOCKHOLDERS' EQUITY	$ 66,767	$ 62,361
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 832,579	$ 750,757

Consolidated Statements of Income

(Dollars in thousands, except per share amounts)	Years Ended December 31, 2021	2020
INTEREST INCOME		
Loans receivables, including fees	$ 28,693	$ 25,573
Securities:		
Taxable	641	691
Tax-exempt	115	124
Other	67	104
Total interest income	$ 29,516	$ 26,492
INTEREST EXPENSE		
Deposits	2,251	3,540
Interest on subordinated debt	109	160
Long-term debt	415	530
Total interest expense	$ 2,775	$ 4,230
NET INTEREST INCOME	26,741	22,262
Provision for loan losses	936	2,024
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$ 25,805	$ 20,238
OTHER INCOME		
Overdraft fees on checking	832	835
Other service charges on deposit accounts	389	317
Debit and credit card fees	1,407	1,127
Automated teller machine and internet banking fees	173	157
Mortgage banking activities	902	1,334
Earnings on investment in life insurance	319	268
Other	223	339
Total other income	$ 4,245	$ 4,377
OTHER EXPENSE		
Salaries and employee benefits	11,631	9,809
Outsourcing services	2,961	2,315
Occupancy	1,408	1,335
Equipment expense	746	884
Marketing	800	469
ATM processing fees	314	475
Pennsylvania bank shares tax	592	554
Federal deposit insurance assessment	496	395
Net (gain) on foreclosed assets	(22)	(66)
Other	3,194	2,296
Total other expense	$ 22,120	$ 18,466
Income before income taxes	7,930	6,149
Federal income taxes	1,494	1,055
NET INCOME	$ 6,436	$ 5,094
EARNINGS PER SHARE	$ 2.65	$ 2.10
WEIGHTED-AVERAGE SHARES OUTSTANDING	2,432,770	2,424,357

Consolidated Statements of Comprehensive Income

(Dollars in thousands, except per share amounts)	Years Ended December 31, 2021	2020
Net Income	$ 6,436	$ 5,094
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the year	(739)	845
Tax effect	155	(177)
Net unrealized gains (losses) on securities	(584)	668
Defined benefit pension plan:		
Change in benefit obligations and plan assets	629	(66)
Tax effect	(132)	15
Net change in defined benefit pension plan	497	(51)
Other comprehensive income (loss)	(87)	617
Total comprehensive income	$ 6,349	$ 5,711

Consolidated Statements of Stockholders' Equity

(Dollars in thousands, except per share amounts) Years Ended December 31, 2021 and 2020	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2019	$ 4,837	$ 7,104	$ 46,807	$ (379)	$ 58,369
Issuance of common stock through:					
Dividend reinvestment plan (10,706 shares)	21	198	-	-	219
Comprehensive income:					
Net income	-	-	5,094	-	5,094
Other comprehensive income, net of taxes	-	-	-	617	617
Dividends declared ($.80 per share)	-	-	(1,938)	-	(1,938)
Balance, December 31, 2020	$ 4,858	$ 7,302	$ 49,963	$ 238	$ 62,361
Issuance of common stock through:					
Dividend reinvestment plan (4,515 shares)	9	92	-	-	101
Comprehensive income:					
Net income	-	-	6,436	-	6,436
Other comprehensive (loss), net of taxes	-	-	-	(87)	(87)
Dividends declared ($.84 per share)	-	-	(2,044)	-	(2,044)
Balance, December 31, 2021	$ 4,867	$ 7,394	$ 54,355	$ 151	$ 66,767

Consolidated Statements of Cash Flows

(Dollars in thousands)	Years Ended December 31, 2021	2020
OPERATING ACTIVITIES		
Net income	$ 6,436	$ 5,094
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	936	2,024
Depreciation and amortization	831	771
Net amortization of securities premiums and discounts	221	270
Net amortization of deferred loan fees	(2,066)	(1,140)
Deferred income taxes	688	(115)
Loss on disposal of property and equipment	65	19
(Gain) on foreclosed assets	(22)	(66)
(Gain) on sale of loans, net	(793)	(1,232)
Proceeds from sales of loans	23,655	26,501
Loans originated for sale	(22,862)	(25,269)
Earnings on investment in Bank-owned life insurance, net	(319)	(268)
(Increase) decrease in accrued interest receivable and other assets	1,138	(2,111)
Increase (decrease) in accrued interest payable and other liabilities	341	(425)
Net cash provided by operating activities	8,249	4,053
INVESTING ACTIVITIES		
Proceeds from maturities and principal repayments		
Securities held to maturity	400	9
Securities available for sale	6,537	9,564
Purchase of securities available for sale	(12,890)	(1,406)
Net (increase) in loans	(68,510)	(90,566)
Redemption (purchase) of restricted bank stock	213	(58)
Purchase of premises and equipment	(380)	(1,446)
Purchase of life insurance	-	(2,397)
Proceeds from sale of foreclosed assets	900	857
Net cash used for investing activities	(73,730)	(85,443)
FINANCING ACTIVITIES		
Net increase in deposits	75,968	109,908
Proceeds from debt	9,894	21,875
Repayment of long term debt	(9,451)	(10,310)
Proceeds from the issuance of common stock	101	219
Dividends on common stock	(2,044)	(1,938)
Net cash provided by financing activities	74,468	119,754
Increase in cash and cash equivalents	8,987	38,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,134	24,770
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 72,121	$ 63,134
Cash paid during the year for:		
Interest	$ 2,801	$ 4,316
Taxes	755	1,150
Noncash investing transactions:		
Loans transferred to foreclosed assets	$ 972	$ 579

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, except for per share data)

1. Summary of Significant Accounting Policies

Nature of Operations

JBT Bancorp, Inc., (the "Company"), a bank holding company incorporated under the laws of Pennsylvania, was formed under the Agreement and Plan of Share Exchange and Reorganization entered into as of December 8, 2020 by and between Jonestown Bank and Trust Company and JBT Bancorp, Inc. The agreement was approved by shareholder vote on April 27, 2021 and became effective on May 4, 2021. The Company provides a full range of financial services through its wholly-owned subsidiary, Jonestown Bank & Trust Company. Jonestown Bank & Trust Company, (the "Bank"), operates 12 full service offices and 1 limited service office. 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 Company is principally Lebanon County and northern Lancaster County, Pennsylvania.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, the Bank. In consolidation, significant intercompany accounts and transactions between the Bank and the Company have been eliminated.

Basis of Accounting

The Company uses the accrual basis of accounting.

Estimates

The preparation of consolidated 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 consolidated 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 Company 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 Company'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 Company 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.

1. Summary of Significant Accounting Policies (continued)

Securities (continued)

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each consolidated 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 Company's intent to sell the security or whether it is more likely than not that the Company 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 Company 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.

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, 2021 and 2020 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, 2021, and 2020, the recorded investment in restricted bank stock is $1,681 and $1,894, 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, 2021 and 2020.

Mortgage loans held for sale are generally sold with the mortgage-servicing rights retained by the Company; however, the Company 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 Company 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 Company'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 Company 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

1. Summary of Significant Accounting Policies (continued)

Loans Receivable (continued)

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.

The Company participated in the Paycheck Protection Program (PPP) in 2020 and 2021. These loans were part of the federal government's response to the economic impact of COVID-19 by providing businesses with funding to cover payroll and other operating costs. The loans associated with this program will either be forgiven, if the business meets the requirements for forgiveness, or will remain loans that have maturities of two or five years. The loans are guaranteed by the Small Business Administration (SBA) and have an interest rate of 1%. The Company originated $25 million of these loans and as of December 31, 2021 and 2020, $2 million and $10 million, respectively, was still outstanding. Due to the guarantees associated with these loans they represent minimal risk to the Company. Fees recognized from the PPP loans were $855 for 2021 and $173 for 2020.

The Company 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 secured by 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.

1. Summary of Significant Accounting Policies (continued)

Loans Receivable (continued)

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 Company 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 4 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.

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 are placed on nonaccrual status and evaluated for impairment on an individual basis. The remaining loans are evaluated for impairment as groups of loans with similar risk characteristics. The Company allocates allowances based on the factors described below, which conform to the Company's asset classification policy. In reviewing risk within the Company'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 Company 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 Company's allowance for losses on loans. Such agencies may require the Company 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.

1. Summary of Significant Accounting Policies (continued)

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 less estimated selling costs 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 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 $300 and $278 at December 31, 2021 and 2020, respectively. Residential real estate held as other real estate owned and included in foreclosed assets on the Balance Sheets was $0 at December 31, 2021 and 2020. Commercial real estate held as other real estate was $0 at December 31, 2021 and 2020. Other foreclosed assets were $213 and $119 at December 31, 2021 and 2020, respectively.

Company Premises and Equipment

Land is carried at cost. Company 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 Company; (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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Investment in Life Insurance

The Company 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 Company on a chosen group of employees. The Company is the owner and the Company 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 Consolidated Statements of Income. Some of the BOLI policies have a post-retirement death benefit. The liability for this benefit was $869 and $817 at December 31, 2021 and 2020, respectively. The expense related to the liability for future benefits of the Company's split-dollar bank-owned life insurance was approximately $52 and $(21) for the years ended December 31, 2021 and 2020, respectively.

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 Company follows generally accepted accounting principles, which provides guidance on accounting for uncertainty in income taxes recognized in a Company's consolidated financial statements. The Company's policy is to charge penalties and interest to income tax expense as incurred. The Company'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

All of the Company's revenue from contracts with customers within the scope of FASB ASC 606, Revenue from Contracts with Customers, is recognized within noninterest income in the Consolidated 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.

Interest Income – The Company'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.

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

Debit and Credit Card Fees – The Company 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 Income – 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 Company 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.

Gain/Losses on Sales of OREO – The Company 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 Company finances the sale of OREO to the buyer, the Company 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 Company 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.

JBT Bancorp, Inc.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 Company earns from a third party for enrolling a customer in the processor's program. Credit card fees represent a fee earned by the Company 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.

Advertising

Advertising costs are expensed as incurred. The Company's expenditures on advertising were $800 and $469 for the years ended December 31, 2021 and 2020, respectively.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company 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 Consolidated Balance Sheets 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.

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 Consolidated Balance Sheets, such items, along with net income, are components of comprehensive income.

Leases

The Company follows Accounting Standard Update (ASU) 2016-02, *Leases* (Topic 842) in accounting for right-of-use ("ROU") assets and lease liabilities. 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.

1. **Summary of Significant Accounting Policies (continued)**

<u>Leases</u> (continued)

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 Company 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.

<u>Accumulated Other Comprehensive Income (Loss)</u>

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, 2019	$ 478	$ (857)	$ (379)
Change in unrealized gains on securities available for sale	845	-	845
Change in benefit obligation and plan assets	-	(66)	(66)
Tax effect of current period changes	(177)	15	(162)
Balance, December 31, 2020	$ 1,146	$ (908)	$ 238
Change in unrealized (losses) on securities available for sale	(739)	-	(739)
Change in benefit obligation and plan assets	-	629	629
Tax effect of current period changes	155	(132)	23
Balance, December 31, 2021	$ 562	$ (411)	$ 151

<u>Risks and Uncertainties</u>

Recent economic and government reactions to the COVID-19 pandemic have caused decreased sales for many businesses, resulting in temporary reductions or ceasing of operations for some businesses and created many economic uncertainties. These uncertainties may impact the ability of businesses and individuals to make their loan payments and could result in increased delinquencies and possible increases in the Company's allowance for loan losses. However, the financial impact and durations of these events cannot be reasonably estimated at this time.

<u>Reclassifications</u>

Certain reclassifications have been made to prior period balances to conform to the current year presentation.

2. **Restrictions on Cash and Due from Bank Balances**

The Bank is required to maintain cash reserve balances with Atlantic Community Bankers Bank. The required reserve balances were $100 at December 31, 2021 and $0 at December 31, 2020. 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, 2021 *(Dollars in 000s)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
US Government agency	$ 2,196	$ 29	$ -	$ 2,225
Obligations of states and political subdivisions	5,631	280	19	5,892
Corporate debt	11,250	58	136	11,172
Mortgage-backed securities in government-sponsored entities	15,029	564	65	15,528
Total	$ 34,106	$ 931	$ 220	$ 34,817
Held-to-maturity securities:				
Mortgage-backed securities in government-sponsored entities	$ 19	$ -	$ -	$ 19
Investment note receivable	400	-	-	400
Total	$ 419	$ -	$ -	$ 419

December 31, 2020 *(Dollars in 000s)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Obligations of states and political subdivisions	$ 5,714	$ 367	$ -	$ 6,081
Corporate debt	1,000	-	-	1,000
Mortgage-backed securities in government-sponsored entities	21,256	1,084	-	22,340
Total	$ 27,970	$ 1,451	$ -	$ 29,421
Held-to-maturity securities:				
Mortgage-backed securities in government-sponsored entities	$ 23	$ -	$ -	$ 23
Investment note receivable	800	-	-	800
Total	$ 823	$ -	$ -	$ 823

Securities with a fair value of $5,185 and $8,741 at December 31, 2021 and 2020, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law. No securities were sold in 2021 or 2020.

3. Securities (continued)

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, 2021	Available for Sale		Held to Maturity	
	Amortized	Fair	Amortized	Fair
(Dollars in 000s)	Cost	Value	Cost	Value
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	663	689	400	400
Due after five years through ten years	14,202	14,185	-	-
Due after ten years	4,212	4,415	-	-
Mortgage-backed securities in government-sponsored entities	15,029	15,528	19	19
Total	$ 34,106	$ 34,817	$ 419	$ 419

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, 2021 and 2020:

December 31, 2021	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
(Dollars in 000s)	Value	Losses	Value	Losses	Value	Losses
Available-for-sale securities:						
Obligations of states and political subdivisions	$ 989	$ 19	$ -	$ -	$ 989	$ 19
Corporate debt	6,611	136	-	-	6,611	136
Mortgage-backed securities in government-sponsored entites	1,893	65	-	-	1,893	65
Total	$ 9,493	$ 220	$ -	$ -	$9,493	$ 220

December 31, 2020	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
(Dollars in 000s)	Value	Losses	Value	Losses	Value	Losses
Available-for-sale securities:						
Mortgage-backed securities in government-sponsored entites	43	-	26	-	69	-
Total	$ 43	$ -	$ 26	$ -	$ 69	$ -

In management's opinion, the unrealized losses reflect changes in interest rates subsequent to the acquisition of specific securities. At December 31, 2021, the Company had 8 securities in a loss position totaling $220 and Management believes that the unrealized losses are temporary and the Company: (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. At December 31, 2020, the Company had 6 securities in a loss position.

The Company'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 changes in risks in the near term would materially affect investment assets reported in the consolidated financial statements.

4. Loans Receivable and Allowance for Loan Losses

Loans receivable consist of the following:

	December 31,	
(Dollars in 000s)	2021	2020
Commercial	$ 39,135	$ 46,978
Commercial real estate	200,125	150,109
Commercial real estate construction	14,595	24,508
Secured by residential real estate	167,914	163,929
Home equity lines of credit	39,780	45,867
Consumer - indirect automobile financing	224,078	176,127
Consumer - other	11,460	12,480
SBA PPP	1,995	9,773
Gross loans	699,082	629,771
Less allowance for loan losses	8,318	7,675
Net loans	$ 690,764	$ 622,096

Net deferred costs included in the table above total $10,791 and $7,393 as of December 31, 2021 and 2020, respectively.

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 Company 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. Qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the portfolio. 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

Both delinquency and net loan charge-offs decreased in 2021 from 2020. In 2020, the Company offered multiple payment deferral programs to its loan customers as a result of economic challenges due to COVID-19. As of December 31, 2020, there were 158 loans totaling $59 million still under a payment deferral program. Of this total, $47 million were loans to the hotel industry. No loans were under this deferral arrangement at December 31, 2021.

The loan balances in 2021 increased 11.0% while the increase in the allowance was 8.4%

The insurance company guaranteeing the educational loans became insolvent in 2018 and because of this, the entire portfolio was rated special mention in 2019. These loans and the associated allowance of $342 are included in the consumer other loan segment.

4. Loans Receivable and Allowance for Loan Losses (continued)

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the Consolidated Balance Sheet date. The Company considers the allowance for loan losses of $8,318 adequate to cover loan losses inherent in the loan portfolio at December 31, 2021. The following table presents, by portfolio segment, the allowance for loan losses for the years ended December 31:

As of December 31, 2021 (Dollars in 000s)	Commercial	Commercial Real Estate	Secured by Residential Real Estate	Home Equity Lines of Credit	Consumer Indirect Autos	Consumer Other	SBA PPP	Not Allocated	Total
Allowance for credit losses:									
Beginning Balance	$ 449	$ 1,905	$ 1,669	$ 523	$ 2,502	$ 569	$ -	$ 58	$ 7,675
Charge-offs	-	-	(25)	-	(704)	(263)	-	-	(992)
Recoveries	9	-	45	26	541	78	-	-	699
Provision	(118)	456	(152)	(103)	787	124	-	(58)	936
Ending Balance	$ 340	$ 2,361	$ 1,537	$ 446	$ 3,126	$ 508	$ -	$ -	$ 8,318
Ending balance: individually evaluated for impairment	$ -	$ -	$ 20	$ -	$ -	$ -	$ -	$ -	$ 20
Ending balance: collectively evaluated for impairment	$ 340	$ 2,361	$ 1,517	$ 446	$ 3,126	$ 508	$ -	$ -	$ 8,298
Loans receivable:									
Ending balance, net of fee	$ 39,135	$ 214,720	$ 167,914	$ 39,780	$ 224,078	$ 11,460	$ 1,995		$ 699,082
Ending balance: individually evaluated for impairment	$ 149	$ 8,085	$ 1,754	$ 519	$ -	$ -	$ -		$ 10,507
Ending balance: collectively evaluated for impairment	$ 38,986	$ 206,635	$ 166,160	$ 39,261	$ 224,078	$ 11,460	$ 1,995		$ 688,575

As of December 31, 2020 (Dollars in 000s)	Commercial	Commercial Real Estate	Secured by Residential Real Estate	Home Equity Lines of Credit	Consumer Indirect Autos	Consumer Other	SBA PPP	Not Allocated	Total
Allowance for credit losses:									
Beginning Balance	$ 437	$ 1,183	$ 1,319	$ 641	$ 1,922	$ 665	$ -	$ -	$ 6,167
Charge-offs	(1)	-	(49)	(17)	(730)	(284)	-	-	(1,081)
Recoveries	15	5	39	10	406	90	-	-	565
Provision	(2)	717	360	(111)	904	98	-	58	2,024
Ending Balance	$ 449	$ 1,905	$ 1,669	$ 523	$ 2,502	$ 569	$ -	$ 58	$ 7,675
Ending balance: individually evaluated for impairment	$ -	$ -	$ 69	$ -	$ 19	$ -	$ -	$ -	$ 88
Ending balance: collectively evaluated for impairment	$ 449	$ 1,905	$ 1,600	$ 523	$ 2,483	$ 569	$ -	$ 58	$ 7,587
Loans receivable:									
Ending balance, net of fee	$ 46,978	$ 174,617	$ 163,929	$ 45,867	$ 176,127	$ 12,480	$ 9,773		$ 629,771
Ending balance: individually evaluated for impairment	$ 191	$ 9,714	$ 2,615	$ 462	$ 44	$ 20	$ -		$ 13,046
Ending balance: collectively evaluated for impairment	$ 46,787	$ 164,903	$ 161,314	$ 45,405	$ 176,083	$ 12,460	$ 9,773		$ 616,725

4. Loans Receivable and Allowance for Loan Losses (continued)

Credit Quality Information

The following tables represent credit exposures by internally assigned grades for only those loans segments that are risk rated such as commercial, commercial real estate, and commercial real estate construction for the years ended December 31, 2021 and 2020. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on definitions determined by the Company.

The Company'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 Company 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.

As of December 31, 2021 (Dollars in 000s)	Commercial	Commercial Real Estate	Commercial Real Estate Construction
Pass	$ 38,465	$ 188,341	$ 14,273
Special Mention	-	-	-
Substandard	670	11,784	322
Doubtful	-	-	-
Loss	-	-	-
Ending Balance	$ 39,135	$ 200,125	$ 14,595

As of December 31, 2020 (Dollars in 000s)	Commercial	Commercial Real Estate	Commercial Real Estate Construction
Pass	$ 44,675	$ 140,859	$ 24,171
Special Mention	811	-	-
Substandard	1,492	9,250	337
Doubtful	-	-	-
Loss	-	-	-
Ending Balance	$ 46,978	$ 150,109	$ 24,508

4. Loans Receivable and Allowance for Loan Losses (continued)

Credit Quality Information (continued)

The following tables present performing and nonperforming residential real estate and consumer loans based on payment activity for the year ended December 31, 2021 and 2020. 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 or non-accrual loans.

As of December 31, 2021

(Dollars in 000s)	Secured by Residential Real Estate	Home Equity Lines of Credit	Indirect Automobile Financing	Other Consumer Loans	SBA PPP
Performing	$ 167,459	$ 39,142	$ 224,008	$ 11,440	$ 1,995
Nonperforming	455	638	70	20	-
Total	$ 167,914	$ 39,780	$ 224,078	$ 11,460	$ 1,995

As of December 31, 2020

(Dollars in 000s)	Secured by Residential Real Estate	Home Equity Lines of Credit	Indirect Automobile Financing	Other Consumer Loans	SBA PPP
Performing	$ 162,707	$ 45,178	$ 176,051	$ 12,361	$ 9,773
Nonperforming	1,222	689	76	119	-
Total	$ 163,929	$ 45,867	$ 176,127	$ 12,480	$ 9,773

4. Loans Receivable and Allowance for Loan Losses (continued)

Accruing and Nonaccrual Loans

Generally, all loans except for consumer loans are placed on non-accrual once the loan becomes 90 days past due. Consumer loans are generally charged-off on or before 120 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. The following tables present the classes of the loan portfolio summarized by the aging categories of accruing loans and for nonaccrual loans as of December 31, 2021 and 2020.

As of December 31, 2021

	Accruing Loans						
(Dollars in 000s)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Nonaccrual Loans	Gross Loans
Commercial	$ 30	$ -	$ -	$ 30	$ 39,056	$ 49	$ 39,135
Commercial real estate	23	-	-	23	200,007	95	200,125
Commercial real estate	-	-	-	-	14,595	-	14,595
construction					-		
Secured by residential	187	-	-	187	167,272	455	167,914
real estate					-		
Home equity lines of credit	221	-	75	296	38,921	563	39,780
Consumer - indirect	1,464	251	70	1,785	222,293	-	224,078
automobile financing					-		
Consumer - other	21	-	1	22	11,419	19	11,460
SBA PPP	-	-	-	-	1,995	-	1,995
Total	$ 1,946	$ 251	$ 146	$ 2,343	$ 695,558	$ 1,181	$ 699,082

As of December 31, 2020

	Accruing Loans						
(Dollars in 000s)	30-59 Days Past Due	60-89 Days Past Due	90 Days Or Greater	Total Past Due	Current	Nonaccrual Loans	Gross Loans
Commercial	$ -	$ -	$ -	$ -	$ 46,922	$ 56	$ 46,978
Commercial real estate	419	-	-	419	149,274	416	150,109
Commercial real estate	-	-	-	-	24,508	-	24,508
construction					-		
Secured by residential	507	34	70	611	162,166	1,152	163,929
real estate					-		
Home equity lines of credit	287	113	-	400	44,778	689	45,867
Consumer - indirect	1,400	263	76	1,739	174,388	-	176,127
automobile financing					-		
Consumer - other	60	34	9	103	12,267	110	12,480
SBA PPP	-	-	-	-	9,773	-	9,773
Total	$ 2,673	$ 444	$ 155	$ 3,272	$ 624,076	$ 2,423	$ 629,771

4. Loans Receivable and 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. 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, 2021 (Dollars in 000s)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 149	$ 153	$ -	$ 148	$ 3
Commercial real estate	8,085	8,358	-	8,165	376
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	1,202	1,407	-	1,251	44
Home equity lines of credit	519	556	-	494	11
Consumer - indirect auto	-	-	-	-	-
Consumer - other	-	-	-	-	-
Subtotal	$ 9,955	$ 10,474	$ -	$ 10,058	$ 434
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	552	552	20	559	23
Home equity lines of credit	-	-	-	-	-
Consumer - indirect auto	-	-	-	-	-
Consumer - other	-	-	-	-	-
Subtotal	$ 552	$ 552	$ 20	$ 559	$ 23
Total Impaired:					
Commercial	$ 149	$ 153	$ -	$ 148	$ 3
Commercial real estate	8,085	8,358	-	8,165	376
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	1,754	1,959	20	1,810	67
Home equity lines of credit	519	556	-	494	11
Consumer - indirect auto	-	-	-	-	-
Consumer - other	-	-	-	-	-
Total	$ 10,507	$ 11,026	$ 20	$ 10,617	$ 457

4. Loans Receivable and Allowance for Loan Losses (continued)

Impaired Loans (continued)

As of and for the year ended December 31, 2020 (Dollars in 000s)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 191	$ 201	$ -	$ 197	$ 7
Commercial real estate	9,714	10,047	-	9,779	213
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	1,943	2,035	-	2,043	47
Home equity lines of credit	462	489	-	469	4
Consumer - indirect auto	-	-	-	-	-
Consumer - other	20	20	-	22	1
Subtotal	$ 12,330	$ 12,792	$ -	$ 12,510	$ 272
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	672	814	69	717	24
Home equity lines of credit	-	-	-	-	-
Consumer - indirect auto	44	44	19	47	4
Consumer - other	-	-	-	-	-
Subtotal	$ 716	$ 858	$ 88	$ 764	$ 28
Total Impaired:					
Commercial	$ 191	$ 201	$ -	$ 197	$ 7
Commercial real estate	9,714	10,047	-	9,779	213
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	2,615	2,849	69	2,760	71
Home equity lines of credit	462	489	-	469	4
Consumer - indirect auto	44	44	19	47	4
Consumer - other	20	20	-	22	1
Total	$ 13,046	$ 13,650	$ 88	$ 13,274	$ 300

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 Company'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.

4. **Loans Receivable and Allowance for Loan Losses (continued)**

Troubled Debt Restructurings (continued)

On April 7, 2020, a group of banking agencies issued an interagency statement that offered practical expedients for evaluating whether loan modifications that occurred in response to the coronavirus pandemic were TDRs. For a loan modification to be a TDR in accordance with ASC 310-40, both of the following conditions must be met: 1) the borrower must be experiencing financial difficulty, and 2) the creditor has granted a concession (except for an insignificant delay in payment). The interagency statement indicated that a lender can conclude that a borrower is not experiencing financial difficulty if short-term modification (i.e. six months) were made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays that were insignificant related to loans in which the borrower was less than 30 days past due on its contractual payments at the time a modification program was implemented. Therefore, all short-term loan modifications (loan deferrals for six months or less) that met the above criteria were not considered to be TDRs.

Loan modifications that are considered TDRs completed during the years ended December 31, 2021 and 2020, were as follows:

(Dollars in 000s)	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
2021					
Troubled debt restructurings:					
Secured by residential real estate	2	$	177	$	177
Home equity lines of credit	1		75		75
Total	3	$	252	$	252

(Dollars in 000s)	Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
2020					
Troubled debt restructurings:					
Commercial real estate	2		1,290		1,290
Secured by residential real estate	3		325		325
Home equity lines of credit	1		235		235
Total	6	$	1,850	$	1,850

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 2021 and 2020 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 2021 or 2020.

5. **Mortgage Servicing**

The Company entered into agreements to sell residential mortgages to the FHLB of Pittsburgh. An older agreement included a maximum credit enhancement of $167 which the Company 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 of Pittsburgh had funded the Spread Account at 0.04 percent of the outstanding balance when the Company was selling under this agreement. The Company's historical losses on residential mortgages have been lower than the amount that will be funded to the Spread Account. Therefore, the Company 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 of Pittsburgh is paying the Company 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 Consolidated Balance Sheets. The unpaid principal balances of mortgage loans serviced for others were $89,066 and $90,204 at December 31, 2021 and 2020, respectively.

5. **Mortgage Servicing (continued)**

The Company 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 Consolidated Balance Sheets was $381 and $317 at December 31, 2021 and 2020. Mortgage servicing fee income for the years ended December 31, 2021 and 2020 was $109 and $102, respectively, and is included in mortgage banking activities in the Consolidated Statements of Income.

The following summarizes mortgage servicing rights capitalized and amortized:

(Dollars in 000s)		Years Ended December 31, 2021		2020
Beginning Balance	$	317	$	224
Mortgage servicing rights capitalized		180		198
Mortgage servicing rights amortized		(116)		(105)
Ending balance	$	381	$	317

6. **Premises and Equipment**

Components of premises and equipment are as follows:

(Dollars in 000s)		December 31, 2021		2020
Land and improvements	$	2,253	$	2,253
Buildings		10,313		10,173
Furniture and equipment		3,921		4,031
Right of Use assets		1,877		2,167
Total premises and equipment	$	18,364	$	18,624
Less accumulated depreciation		(6,711)		(6,281)
Net premises and equipment	$	11,653	$	12,343

Depreciation expense for the years ended December 31, 2021 and 2020 as $715 and $666, respectively.

The Company leases land and office space under operating leases. Rental expense for these leases was $375 and $396 for years ended December 31, 2021 and 2020, respectively. Future lease payments under operating leases are presented below along with remaining average lease term and discount rate:

(Dollars in 000s)		December 31, 2021
2022	$	360
2023		296
2024		240
2025		249
2026		242
Thereafter		781
Total		2,168
Less: Inputed interest		267
Total operating lease liabilities		1,901

6. Premises and Equipment (continued)

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, 2021	December 31, 2020
Right of Use assets	$ 1,877	$ 2,167
Lease Liability	1,901	2,185
Weighted average remaining lease term in years	8.03	8.72
Weighted average discount rate	3.42%	3.39%

Our operating leases predominantly expire within the next 1 to 11 years with the longest expiring in 11 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

The Company does not include renewal or termination options in the establishment of the lease term when it is not reasonably certain that they will be exercised.

7. Deposits

The composition of deposits is as follows:

(Dollars in 000s)	December 31, 2021	December 31, 2020
Demand, non-interest-bearing	$ 114,934	$ 82,986
Checking with interest and money market	371,779	335,987
Savings	79,632	68,192
Time deposits greater than $250,000	24,838	24,187
Other time deposits	133,028	136,891
Total	$ 724,211	$ 648,243

At December 31, 2021, the scheduled maturities of time deposits are as follows:

(Dollars in 000s)	Years Ended December 31,
2022	$ 112,637
2023	32,259
2024	5,841
2025	3,293
2026	3,836
Total	$ 157,866

8. Employee Benefits

The Company has a defined contribution 401(k) plan for employees who meet the eligibility requirements set forth in the plan. All of the Company's employees that are 21 years and older are eligible for the plan. The Company matches 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 Company's contributions to this plan were $352 in 2021 and $328 in 2020.

The Company 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 Company's consolidated financial statements. The measurement date for purposes of these valuations was December 31, 2021 and 2020.

(Dollars in 000s)	December 31, 2021	December 31, 2020
Change in benefit obligation		
Benefit obligation at beginning of year	$ 4,504	$ 4,011
Interest cost	112	127
Actuarial (gain) loss	(270)	527
Benefits paid	(107)	(101)
Settlements	(74)	(60)
Benefit obligation at end of year	4,165	4,504
Change in plan assets		
Fair value of plan assets at beginning of year	4,197	3,765
Employer contribution	-	-
Actual return on plan assets	478	593
Benefits paid	(107)	(101)
Settlements	(74)	(60)
Fair value of plan assets at end of year	4,494	4,197
Funded status (Included in other liabilities)	$ 329	$ (307)
Amounts recognized in the Balance Sheets consist of:		
Accrued benefit cost in other liabilities	$ 329	$ (307)
Accumulated other comprehensive loss	522	1,151
Net amount recognized	$ 851	$ 844
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
Net actuarial loss	$ (522)	$ (1,151)
Deferred tax benefit	111	243
Total	$ (411)	$ (908)

Net periodic pension expense included the following components:

(Dollars in 000s)	Years Ended December 31, 2021	2020
Interest cost	$ 112	$ 127
Expected return on plan assets	(207)	(213)
Net amortization and deferral	88	83
Net periodic pension expense	$ (7)	$ (3)

8. **Employee Benefits (continued)**

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

The accumulated benefit obligation was $4,165 and $4,504 at December 31, 2021 and 2020 respectively.

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

	December 31, 2021	2020
Discount rate	2.83%	2.52%
Expected long-term return on Plan assets	5.00%	5.00%
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 $96.

The selected long-term rate of return on Plan assets (5.00 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 Company's pension plan target asset allocations, by asset category, are as follows:

	December 31, 2021	2020
Equities	65%	65%
Fixed income	35%	35%
Other	0%	0%
Total	100%	100%

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8. **Employee Benefits (continued)**

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

(Dollars in 000s)	As of December 31, 2021 Level I	Level II	Level III	Total
Assets:				
Mutual funds:				
Equities				
Large-Cap Value	$ 282	$ -	$ -	$ 282
Large-Cap Core	382	-	-	382
Mid-Cap Core	349	-	-	349
Small-Cap Core	230	-	-	230
International Growth	506	-	-	506
International Value	265	-	-	265
Large Cap Growth	545	-	-	545
Small/midcap Growth	117	-	-	117
Fixed income				
Fixed Income- Core Plus	1,086	-	-	1,086
Intermediate Duration	361	-	-	361
Other		290		290
Cash Equivalent	81	-	-	81
Total assets at fair value	$ 4,204	$ 290	$ -	$ 4,494

(Dollars in 000s)	As of December 31, 2020 Level I	Level II	Level III	Total
Assets:				
Mutual funds:				
Equities				
Large-Cap Value	$ 264	$ -	$ -	$ 264
Large-Cap Core	355	-	-	355
Mid-Cap Core	334	-	-	334
Small-Cap Core	171	-	-	171
International Growth	543	-	-	543
International Value	263	-	-	263
Large Cap Growth	540	-	-	540
Small/midcap Growth	172	-	-	172
Fixed income				
Fixed Income- US Core	936	-	-	936
Intermediate Duration	323	-	-	323
Other		267	-	267
Cash Equivalent	29	-	-	29
Total assets at fair value	$ 3,930	$ 267	$ -	$ 4,197

The Company does not expect to contribute to its pension plan in 2022.

The following benefit payments are expected to be paid:

(Dollars in 000s)	Years Ended December 31,
2022	$ 134
2023	142
2024	149
2025	157
2026	166
2027 through 2031	919
	$ 1,667

9. Borrowed Funds

The Bank has available a $85 million line with the FHLB of Pittsburgh. This line expires in June 2022. The interest rate on this line was 0.28 percent at December 31, 2021, and 0.41 percent at December 31, 2020. The outstanding balance under this line was $0 as of December 31, 2021 and 2020. The Bank also has an unsecured $7.5 million line with the Atlantic Community Bankers Bank (ACBB), which was not used in 2021 or 2020. The Company also entered into unsecured subordinated debt of $10 million with ACBB in 2021, maturing in December 2031, at a fixed rate of 3.75% for five years and then a variable rate based on 30-day Secured Overnight Financing Rate (SOFR) plus 3.50% for the last five years. The debt can be redeemed after December 2026.

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

(Dollars in 000s)			December 31,	
Maturity Date		**Rate**	**2021**	**2020**
Mar 2021	(Non-amortizing)	0.85	$ -	$ 3,125
Jun 2021	(Non-amortizing)	1.97	-	3,000
Mar 2022	(Non-amortizing)	0.92	6,250	6,250
May 2022	(Non-amortizing)	2.37	3,000	3,000
May 2022	(Non-amortizing)	2.33	3,000	3,000
Feb 2023	(Non-amortizing)	1.32	6,250	6,250
Mar 2023	(Non-amortizing)	1.03	3,125	3,125
May 2023	(Amortizing)	4.57	316	527
May 2023	(Amortizing)	4.68	171	286
Mar 2025	(Non-amortizing)	1.11	3,125	3,125
Nov 2025	(Non-amortizing subordinated debt); paid Dec 2021	3.75	-	3,000
Dec 2031	(Non-amortizing subordinated debt)	3.75	10,000	-
Less: Unamortized debt costs			106	-
Total			$ 35,131	$ 34,688

The following table represents maturities/repayments of the remaining FHLB of Pittsburgh advances and subordinated debt at December 31, 2021:

(Dollars in 000s)	Amount
2022	$ 12,590
2023	9,522
2024	-
2025	3,125
2026	-
Thereafter	10,000
Total	$ 35,237

Borrowings from the FHLB of Pittsburgh are collateralized by certain qualifying assets of the Company with an approximate value of $360,713 at December 31, 2021. The Company has a maximum borrowing capacity with the FHLB of Pittsburgh of approximately $248,271 of which $57,437 is outstanding and includes $32,200 in total letters of credits issued to municipalities to secure deposits.

There was no activity related to the Company's short-term borrowings under the $85 million line of credit with the FHLB of Pittsburgh in either 2021 or 2020.

10. Related-Party Transactions

The Company 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, 2021 is as follows:

Balance at December 31, 2020	Additions	Amount Collected	No Longer Affiliated	Balance at December 31, 2021
$2,132	$981	$413	$1,628	$1,072

Deposits from related parties totaled $1,737 and $6,303 as of December 31, 2021 and 2020 respectively.

11. Off-Balance Sheet Commitments

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

The Company'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 Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. 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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. 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 Company 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 Company 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 Company's financial instrument commitments is as follows:

	December 31,	
(Dollars in 000s)	**2021**	**2020**
Commitments to extend credit	$ 16,501	$ 22,582
Unfunded commitments	116,779	103,107
Standby letters of credit	7,061	9,333
Total	$ 140,341	$ 135,022

12. Income Taxes

The provision for federal income taxes consisted of the following:

(Dollars in 000s)		Years Ended December 31, 2021		2020
Current	$	806	$	1,170
Deferred		688		(115)
Total	$	1,494	$	1,055

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, 2021 Amount	% of Pretax Income			2020 Amount	% of Pretax Income	
Provision at statutory rate	$	1,665	21.0	%	$	1,273	21.0	%
Tax exempt interest, net		(113)	(1.4)			(147)	(2.6)	
Life insurance		(67)	(0.8)			(61)	(1.0)	
Other, net		9	0.1			(10)	(0.2)	
Actual tax expense and effective rate	$	1,494	18.9	%	$	1,055	17.2	%

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

(Dollars in 000s)		As of December 31, 2021		2020
Deferred tax assets:				
Allowance for loan losses	$	1,747	$	1,612
Other pension adjustments		110		242
Nonaccrual loan interest		29		37
Deferred loan fees		391		380
Other		162		119
Total deferred tax assets		2,439		2,390
Deferred tax liabilities:				
Accrued pension		(179)		(177)
Net unrealized gain on securities		(149)		(305)
Premises and equipment		(574)		(457)
Deferred loan costs		(2,653)		(1,933)
Mortgage servicing rights		(80)		(67)
Prepaid expenses		(137)		(120)
Total deferred tax liabilities		(3,772)		(3,059)
Net deferred tax assets (liability)	$	(1,333)	$	(669)

13. Concentration of Credit Risk

The Company 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 Company has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy.

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14. Regulatory Matters

The Federal Reserve has set the limit to qualify as a small bank holding company at $3 billion which exempts it from risk-based capital and leverage rules, including Basel III. The Bank continues to be subject to 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 and other factors.

The bank has opted into the Community Bank Leverage Ratio (CBLR) framework in 2020 so the bank will not be required to calculate or report risk-based capital ratios. A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. The CARES Act of 2020 has temporarily lowered the 9% threshold to 8% through December 31, 2020, 8.5% for 2021 and back to 9% thereafter.

Management believes, as of December 31, 2021, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, 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:

(Dollars in 000s)	Actual Amount	Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions ≥ Amount	≥ Ratio
Community Bank Leverage Ratio				
2021	$ 70,074	8.57 %	$ 40,881	5.00 %
2020	$ 62,123	8.46 %	$ 36,726	5.00 %

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2021, $37,369 of retained earnings was available for dividend declaration without prior regulatory approval, subject to the above regulatory capital requirements.

15. 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.

15. Fair Value (continued)

The three levels of the fair value hierarchy 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.

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, 2021 and 2020 are as follows:

	As of December 31, 2021			
(Dollars in 000s)	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
US Government agency	$ -	$ 2,225	$ -	$ 2,225
Obligations of states and political subdivisions	-	5,892	-	5,892
Other corporate debt	-	11,172	-	11,172
Mortgage-backed securities in government-sponsored entities	-	15,528	-	15,528
Total	$ -	$ 34,817	$ -	$ 34,817

	As of December 31, 2020			
(Dollars in 000s)	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
Obligations of states and political subdivisions	$ -	$ 6,081	$ -	$ 6,081
Other corporate debt	-	1,000		1,000
Mortgage-backed securities in government-sponsored entities	-	22,340	-	22,340
Total	$ -	$ 29,421	$ -	$ 29,421

15. Fair Value (continued)

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 Company to measure certain financial assets recorded at fair value on a nonrecurring basis in the consolidated 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 Company 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, 2021 or 2020.

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 Company 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 Consolidated 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 $20 and $88 at December 31, 2021 and 2020, respectively.

There were no loans held for sale as of December 31, 2021 or December 31, 2020.

15. Fair Value (continued)

Impaired Loans (continued)

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, 2021 and 2020 are as follows:

	As of December 31, 2021				
(Dollars in 000s)	Level I	Level II	Level III	Total	Gain\(Losses)
Impaired loans	$ -	$ -	$ 532	$ 532	$ -
Total	$ -	$ -	$ 532	$ 532	$ -

	As of December 31, 2020				
(Dollars in 000s)	Level I	Level II	Level III	Total	Gain\(Losses)
Impaired loans	$ -	$ -	$ 628	$ 628	$ -
Total	$ -	$ -	$ 628	$ 628	$ -

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, 2021			
(Dollars in 000s)	Fair Value	Valuation Techniques	Unobservable Input	Range
Impaired Loans	$ 532	Appraised collateral values	Discount for time since appraisal	0-30%
		and discounted cash flows	Selling costs	0-8%

	As of December 31, 2020			
(Dollars in 000s)	Fair Value	Valuation Techniques	Unobservable Input	Range
Impaired Loans	$ 628	Appraised collateral values	Discount for time since appraisal	0-30%
		and discounted cash flows	Selling costs	0-8%

16. Fair Values of Financial Instruments

The following information should not be interpreted as an estimate of the fair value of the entire Company, since a fair value calculation is only provided for a limited portion of the Company'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 Company'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 Company's financial instruments at December 31, 2021 and 2020.

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

Securities available for sale and held to maturity
The Company 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.

16. 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.

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 Company for advances from the FHLB with similar terms and remaining maturities.

Off-balance sheet financial instruments
Fair values for the Company'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.

16. Fair Values of Financial Instruments (continued)

The estimated fair values of the Company's financial instruments were as follows at December 31, 2021 and 2020:

	Carrying	Fair		As of December 31, 2021	
(Dollars in 000s)	Amount	Value	Level I	Level II	Level III
Financial assets:					
Cash and due from banks	$ 8,025	$ 8,025	$ 8,025	$ -	$ -
Interest Bearing Balances with other Banks	64,096	64,096	64,096	-	-
Available-for-sale securities	34,817	34,817	-	34,817	-
Held-to-maturity securities	419	419	-	419	-
Net loans	690,764	704,004	-	703,472	532
Accrued interest receivable and dealer reserve	3,161	3,161	3,161	-	-
Restricted investment in bank stock	1,681	1,681	1,681	-	-
Mortgage servicing rights	381	381	-	571	-
Financial liabilities:					
Deposits	$ 724,211	$ 731,227	$ -	$ 731,227	$ -
Long-term debt	35,131	35,210	-	35,210	-
Accrued interest payable	134	134	134	-	-

	Carrying	Fair		As of December 31, 2020	
(Dollars in 000s)	Amount	Value	Level I	Level II	Level III
Financial assets:					
Cash and due from banks	$ 5,529	$ 5,529	$ 5,529	$ -	$ -
Interest Bearing Balances with other Banks	57,605	57,605	57,605	-	-
Available-for-sale securities	29,421	29,421	-	29,421	-
Held-to-maturity securities	823	823	-	823	-
Net loans	622,096	653,377	-	652,749	628
Accrued interest receivable and dealer reserve	3,859	3,859	3,859	-	-
Restricted investment in Bank stock	1,894	1,894	1,894	-	-
Mortgage servicing rights	317	459	-	459	-
Financial liabilities:					
Deposits	$ 648,243	$ 650,474	$ -	$ 650,474	$ -
Long-term debt	34,688	35,608	-	35,608	-
Accrued interest payable	160	160	160	-	-

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17. Parent Company Financial Statements

Presented below are the parent company financial statements for the period ending December 31, 2021, and where applicable, for activity since the effective date.

Condensed Balance Sheets

	December 31, 2021
Assets	
Cash and cash equivalents	$ 6,444
Investment in bank subsidiary	70,225
Other assets	2
Total assets	$ 76,671
Liabilities and stockholders' equity	
Subordinated debt	9,894
Accrued interest payable	10
Total liabilities	9,904
Stockholders' equity	66,767
Total liabilities and stockholders' equity	$ 76,671

Condensed Statements of Income

	for the Period ended December 31, 2021
Interest expense	$ 10
Income (loss) before equity in undistributed net income of subsidiary	(10)
Undistributed net income of subsidiary	4,238
Net income before income taxes	4,228
Income tax expense (benefit)	(2)
Net income	$ 4,230

Statements of Comprehensive Income

	for the Period ended December 31, 2021
Net Income	$ 4,230
Unrealized gains (losses) on securities:	
Unrealized holding (losses) arising during the period	(532)
Tax effect	112
Net unrealized (losses) on securities	(420)
Defined benefit pension plan:	
Change in benefit obligations and plan assets	629
Tax effect	(132)
Net change in defined benefit pension plan	497
Other comprehensive income	77
Total comprehensive income	$ 4,307

17. Parent Company Financial Statements (continued)

Statements of Cash Flows

(Dollars in thousands)	For the Period Ended December 31, 2021
OPERATING ACTIVITIES	
Net income	$ 4,230
Adjustments to reconcile net income to net cash provided by operating activities:	
Equity in undistributed (earnings) of bank subsidiary	(3,165)
Net change in other liabilities	10
Net change in other assets	(2)
Net cash provided by operating activities	1,073
INVESTING ACTIVITIES	
Investment in bank subsidiary	(3,500)
Net cash used for investing activities	(3,500)
FINANCING ACTIVITIES	
Proceeds from issuance of subordinatd debt	10,000
Debt financing costs	(106)
Dividends on common stock	(1,023)
Net cash provided by financing activities	8,871
Increase in cash and cash equivalents	6,444
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,444

18. Contingencies

The Company 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 Company 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 Company.

19. Subsequent Events

Management has reviewed events occurring through March 1, 2022, the date the consolidated financial statements were available to be issued and no subsequent events occurred requiring disclosure.

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JBT customer Peter Ehrgood shows his daughter Nora, age 3, how people make bank deposits when they don't use JBT's Mobile Deposit service on their smartphones.

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