

CCCB BANCORP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
CCCB Bancorp, Inc. and Subsidiary
Clarion, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of CCCB Bancorp, Inc. and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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



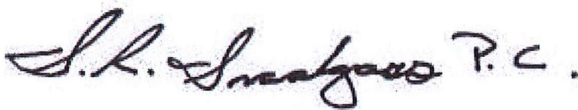
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Company'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.



Cranberry Township, Pennsylvania
March 18, 2022

CONSOLIDATED BALANCE SHEETS

CCCB BANCORP, INC.

	December 31,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and due from banks	\$ 1,676,186	\$ 2,673,922
Interest bearing deposits with banks	6,890,481	10,079,903
Cash and cash equivalents	8,566,667	12,753,825
Certificates of deposit	100,000	100,000
Investment securities available for sale	32,056,198	27,483,396
Restricted bank stock, at cost	1,201,200	1,188,300
Loans receivable, net of allowance for loan losses of \$1,384,324 in 2021 and \$1,162,548 in 2020	152,622,839	147,457,296
Premises and equipment, net	2,712,014	2,846,870
Other real estate owned, net	-	165,000
Bank owned life insurance	4,171,547	4,066,399
Net deferred taxes	440,619	265,615
Other assets	2,924,868	3,017,386
Total Assets	\$ 204,795,952	\$ 199,344,087
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	\$ 40,163,154	\$ 35,302,879
Interest bearing	139,957,391	139,032,390
Total deposits	180,120,545	174,335,269
Federal Home Loan Bank advances	4,000,000	5,000,000
Accrued interest and other liabilities	1,619,730	1,688,654
Total liabilities	185,740,275	181,023,923
Stockholders' Equity		
Preferred stock: 1,000,000 shares authorized, no shares issued	-	-
Common stock; par value \$1; 10,000,000 shares authorized; 1,665,667 issued and outstanding in 2021 and 2020	1,665,667	1,665,667
Surplus	10,647,455	10,647,455
Retained earnings	6,612,688	5,512,642
Accumulated other comprehensive income	129,867	494,400
Total stockholders' equity	19,055,677	18,320,164
Total Liabilities and Stockholders' Equity	\$ 204,795,952	\$ 199,344,087

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

CONSOLIDATED STATEMENTS OF INCOME**CCCB BANCORP, INC.**

	Years Ended December 31,	
	2021	2020
Interest Income		
Loans, including fees	\$ 7,196,815	\$ 7,410,890
Taxable securities	236,916	124,791
Tax exempt securities	512,841	527,474
Interest bearing deposits	3,983	33,312
Total interest income	<u>7,950,555</u>	<u>8,096,467</u>
Interest Expense		
Deposits	1,310,608	2,025,731
Federal Home Loan Bank advances	92,733	120,369
Total interest expense	<u>1,403,341</u>	<u>2,146,100</u>
Net Interest Income	6,547,214	5,950,367
Provision for Loan Losses	240,000	250,000
Net Interest Income after Provision for Loan Losses	6,307,214	5,700,367
Other Income		
Service fees	101,062	108,050
Bank owned life insurance	105,148	105,470
Net gains on sales of loans held for sale	111,642	227,478
Net gains on sales of securities available for sale	94,459	220,471
Other	227,181	216,171
Total other income	<u>639,492</u>	<u>877,640</u>
Other Expenses		
Salaries and employee benefits	2,847,402	2,786,129
Professional fees	157,587	275,760
FDIC insurance	57,704	43,126
Occupancy and equipment	438,975	440,940
Data processing	661,887	620,760
Other (see Note 12)	1,127,945	1,232,663
Total other expenses	<u>5,291,500</u>	<u>5,399,378</u>
Income Before Income Tax Expense	1,655,206	1,178,629
Income Tax Expense	222,044	122,280
Net Income	\$ 1,433,162	\$ 1,056,349
Earnings per Common Share	\$ 0.86	\$ 0.63

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CCCB BANCORP, INC.

	Years Ended	
	December 31,	
	2021	2020
Net income	\$ 1,433,162	\$ 1,056,349
Unrealized holding (loss) gain on available for sale securities	(374,174)	625,649
Reclassification adjustment for gains on securities available for sale realized in net income	(94,459)	(220,471)
Net unrealized (loss) gain	(468,633)	405,178
Tax effect	98,412	(85,087)
Net-of-tax amount	(370,221)	320,091
Amortization of prior service cost	7,200	7,200
Tax effect	(1,512)	(1,512)
Net-of-tax amount	5,688	5,688
Other comprehensive (loss) income	(364,533)	325,779
Total comprehensive income	\$ 1,068,629	\$ 1,382,128

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

	<u>Common Stock</u>	<u>Surplus</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance at January 1, 2020	\$ 1,665,667	\$ 10,647,455	\$ 4,756,113	\$ 168,621	\$ 17,237,856
Net income	-	-	1,056,349	-	1,056,349
Cash dividend, \$0.18 per share	-	-	(299,820)	-	(299,820)
Other comprehensive income	-	-	-	325,779	325,779
Balance at December 31, 2020	1,665,667	10,647,455	5,512,642	494,400	18,320,164
Net income	-	-	1,433,162	-	1,433,162
Cash dividend, \$0.20 per share	-	-	(333,116)	-	(333,116)
Other comprehensive loss	-	-	-	(364,533)	(364,533)
Balance at December 31, 2021	<u>\$ 1,665,667</u>	<u>\$ 10,647,455</u>	<u>\$ 6,612,688</u>	<u>\$ 129,867</u>	<u>\$ 19,055,677</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

	For the Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,433,162	\$ 1,056,349
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	216,658	218,643
Net amortization of premiums and discounts	73,405	150,228
Net gains on securities available for sale	(94,459)	(220,471)
Provision for loan losses	240,000	250,000
Net gains on sale of loans held for sale	(111,642)	(227,478)
Loans originated for sale	(4,482,150)	(6,923,315)
Proceeds from sale of loans held for sale	4,593,792	7,150,793
Loss on OREO, net	8,240	85,466
Deferred taxes	78,103	(100,315)
Earnings on bank owned life insurance	(105,148)	(105,470)
Earnings on investment contract	(12,718)	(18,923)
Change in:		
Deferred loan fees	39,213	92,506
Other assets	(50,970)	(206,816)
Accrued interest and other liabilities	(68,924)	194,743
Net Cash From Operating Activities	1,756,562	1,395,940
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available for sale securities	(13,015,104)	(13,237,172)
Proceeds from sales of securities available for sale	450,417	2,508,291
Maturities and calls of available for sale securities	6,422,838	4,107,993
Principal payments from mortgage-backed securities	1,128,667	2,844,180
Purchase of investment contract	-	(1,846,912)
Purchase of restricted bank stock	(214,200)	(502,400)
Redemption or call of restricted bank stock	201,300	323,400
Purchases of certificates of deposit	(100,000)	(3,237,000)
Maturities of certificates of deposit	100,000	3,486,000
Proceeds from sale of foreclosed assets	156,760	141,024
Loan originations and repayments, net	(5,444,756)	(14,709,659)
Purchases of premises and equipment	(81,802)	(85,371)
Net Cash Used on Investing Activities	(10,395,880)	(20,207,626)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	5,785,276	22,680,509
Repayment of FHLB borrowings	(2,000,000)	-
Purchase of FHLB borrowings	1,000,000	-
Cash dividends paid on common stock	(333,116)	(299,820)
Net Cash From Financing Activities	4,452,160	22,380,689
Net Change in Cash and Cash Equivalents	(4,187,158)	3,569,003
Cash and Cash Equivalents at Beginning of Year	12,753,825	9,184,822
Cash and Cash Equivalents at End of Year	\$ 8,566,667	\$ 12,753,825
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 1,452,611	\$ 2,220,194
Income taxes paid	280,000	49,765

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization: CCCB Bancorp, Inc. (the “Company”), headquartered in Clarion, Pennsylvania, is a Pennsylvania corporation and bank holding company incorporated on August 1, 2020. The Company was formed to serve as the stock holding company for Clarion County Community Bank (the “Bank”) which provides a full range of retail and commercial financial products and services to customers in western Pennsylvania. The Bank received its Pennsylvania banking charter on January 6, 2004. The Bank was incorporated under the laws of the Commonwealth of Pennsylvania on June 18, 2003, to operate as a state-chartered banking institution. The Bank opened for business on January 8, 2004, and currently has four locations; the main office in Clarion, Pennsylvania, and full-service branch offices in New Bethlehem, Pennsylvania, Rimersburg, Pennsylvania, and Franklin, Pennsylvania.

Nature of Operations: The Company, through the Bank, provides financial services through its offices in Clarion County and Venango County. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial real estate, commercial, and consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses.

Principles of Consolidation: The consolidated financial statements as of and for the years ended December 31, 2021 and 2020, include CCCB Bancorp, Inc. and its wholly-owned subsidiary, Clarion County Community Bank. Intercompany transactions and balances have been eliminated in consolidation.

Risks and Uncertainties:

The impact of the COVID-19 pandemic is fluid and continues to evolve, adversely affecting many of the Company's customers. The pandemic and its associated impacts on trade, travel, employee productivity, unemployment, and consumer spending has resulted in less economic activity and volatility and disruption in the financial markets. The ultimate extent of the impact of the COVID-19 pandemic on the Company's business, financial condition, and results of operations is currently uncertain and will depend on various developments and other factors, including, among others, the duration and scope of the pandemic, as well as governmental, regulatory, and private sector responses to the pandemic, and the associated impacts on the economy, financial markets and our customers, employees, and vendors. While the full effects of the pandemic remain unknown, the Company is committed to supporting its customers, employees, and communities during this difficult time.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 18, 2022, which is the date the financial statements were available to be issued.

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

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Certificates of Deposit: Certificates of deposit in other financial institutions are carried at cost.

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

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

Management evaluates securities for other-than-temporary impairment (“OTTI”) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to other factors, which is recognized in other comprehensive income and 2) OTTI related to credit loss, which must be recognized in the Statement of Income. The credit loss is determined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. There were no loans held for sale at December 31, 2021 and 2020.

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

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

Interest income on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 or more days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. A loan is moved to non-accrual status in accordance with the Company's policy, typically after 90 days of non-payment.

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

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

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Commercial and commercial real estate loans over \$50,000 are individually evaluated for impairment if management does not expect to collect principal and interest in accordance with the original contractual agreement. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures, unless such loans are modified in a troubled debt restructuring.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The general component covers non-impaired loans and is based on consideration of historical loss experience and peer data adjusted for current factors. This actual and peer loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: Residential Real Estate, Commercial Real Estate, Commercial, and Consumer. Twenty-three percent of the Company's loan portfolio is 1-4 family real estate, home equity lines of credit, and consumer installment loans made to individuals in the Company's market area. These loans are largely secured by underlying real estate or consumer collateral. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Company's market area.

Commercial loans primarily consist of income producing real estate and business-related assets. Repayment of these loans depends, to a large degree, on the results of operations, cash flow and management of the related businesses. These loans may be affected, to a greater extent, by adverse management of the related businesses, by adverse commerce conditions or the economy in general. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

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

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with other non-interest income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as other non-interest income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. Servicing fees totaled \$52,917 and \$43,132 for the years ended December 31, 2021 and 2020, respectively.

Foreclosed Assets: Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of real estate property collateralizing a loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method for 30 years. Furniture, fixtures, and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 10 years. Expenses for maintenance and repairs are charged against income as occurred. Costs of major additions and improvements are capitalized.

Restricted Bank Stock: The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. The Bank is a member of the Atlantic Community Bankers Bank (ACBB) of Camp Hill, Pennsylvania. Members are required to own a certain amount of stock. FHLB and ACBB stock are carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance: The Bank purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The Bank is the sole beneficiary, without further encumbrance, of the insurance proceeds aside from split dollar agreements promising death benefits of \$300,000 to the beneficiaries of two executive officers of the Bank and \$150,000 to the beneficiaries of three senior officers of the Bank while under Bank employment. As the officer's projected mortality extends beyond Bank's expected employment, no accrual has been established for this potential benefit.

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

Retirement Plans: Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Supplemental retirement plan expense allocates the benefits over the years of service.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount more likely than not to be realized.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Advertising Costs: Advertising costs are expensed as incurred.

Earnings Per Share: Basic earnings per share is calculated as net income divided by the weighted average number of common shares outstanding during the period.

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

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

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

Transfer of Financial Assets:

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

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

NOTE 2 – REVENUE RECOGNITION

Revenue recognition under Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights and financial guarantees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as deposit related fees, interchange fees and merchant income. Substantially all of the Company's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 2 – REVENUE RECOGNITION (continued)

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of overdraft charges, monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based: and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Fees, exchange, and other service charges

This is primarily comprised of debit card income, ATM fees, merchant services income, and other service charges. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Other service charges include cashier's checks, check charges and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

NOTE 3 – INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of investment securities at December 31, 2021, and the corresponding amounts of gross unrealized gains and losses.

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. government sponsored entities and agencies	\$ 6,291,476	\$ -	\$ (49,558)	\$ 6,241,918
State and municipal bonds-tax free	20,572,717	383,228	(101,750)	20,854,195
Residential mortgage- backed securities	4,980,416	7,637	(27,968)	4,960,085
	<u>\$ 31,844,609</u>	<u>\$ 390,865</u>	<u>\$ (179,276)</u>	<u>\$ 32,056,198</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 3 – INVESTMENT SECURITIES (continued)

The following table summarizes the amortized cost and fair value of investment securities at December 31, 2020, and the corresponding amounts of gross unrealized gains and losses.

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. government sponsored entities and agencies	\$ 2,058,247	\$ 37,556	\$ -	2,095,803
State and municipal bonds-tax free	23,791,597	660,025	(59,905)	24,391,717
Residential mortgage-backed securities	953,330	42,546	-	995,876
	<u>\$ 26,803,174</u>	<u>\$ 740,127</u>	<u>\$ (59,905)</u>	<u>\$ 27,483,396</u>

The proceeds from the sales of securities and the associated gross gains and losses are listed below.

	2021	2020
Proceeds	\$ 450,417	\$ 2,508,291
Gross gains	145,453	224,965
Gross losses	(50,994)	(4,494)

The tax provision related to the net realized gain was \$19,836 and \$46,299, respectively.

As a member of the Federal Home Loan Bank of Pittsburgh (FHLB), the Bank is required to maintain a minimum amount of FHLB stock. The minimum amount is calculated based on the level of the Bank's assets, residential real estate loans, and FHLB advances. At December 31, 2021 and 2020, the Bank held \$1,136,200 and \$1,123,300 respectively, of FHLB stock, which is carried at cost.

Management evaluates the FHLB stock for impairment in accordance with accounting guidance issued by the Financial Accounting Standards Board. Management's determination of whether this investment is impaired is based on their assessment of the ultimate recoverability of their cost basis rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost basis is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB. Management believes no impairment charge is necessary related to the FHLB stock as of December 31, 2021 or 2020.

The amortized cost and fair value of investment securities by contractual maturity are shown below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 3 – INVESTMENT SECURITIES (continued)

Actual investment maturities will differ from contractual maturities because issuers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separate.

The following table summarizes the amortized cost and fair value maturities of debt securities available for sale at December 31, 2021.

	December 31, 2021	
	Amortized Cost	Fair Value
Debt securities available for sale		
Due in one year or less	\$ -	\$ -
Due after one year through five years	-	-
Due after five years through ten years	4,700,635	4,696,277
Due after ten years	22,163,558	22,399,836
Residential mortgage-backed securities	4,980,416	4,960,085
	<u>\$ 31,844,609</u>	<u>\$ 32,056,198</u>

The following table summarizes investment securities with unrealized losses at December 31, 2021 and 2020 by major security type and length of time in a continuous unrealized loss position:

	December 31, 2021					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government sponsored entities and agencies	\$ 6,241,918	\$ (49,558)	\$ -	\$ -	\$ 6,241,918	\$ (49,558)
State and municipal bonds-tax free	2,205,100	(67,789)	2,158,088	(33,961)	4,363,188	(101,750)
Residential mortgage-backed securities	4,819,627	(27,968)	-	-	4,819,627	(27,968)
	<u>\$ 13,266,645</u>	<u>\$ (145,315)</u>	<u>\$ 2,158,088</u>	<u>\$ (33,961)</u>	<u>\$ 15,424,733</u>	<u>\$ (179,276)</u>

	December 31, 2020					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and municipal bonds-tax free	\$ 3,349,778	\$ (35,486)	\$ 503,300	\$ (24,419)	\$ 3,853,078	\$ (59,905)
	<u>\$ 3,349,778</u>	<u>\$ (35,486)</u>	<u>\$ 503,300</u>	<u>\$ (24,419)</u>	<u>\$ 3,853,078</u>	<u>\$ (59,905)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 3 – INVESTMENT SECURITIES (continued)

Unrealized losses on the 29 securities at December 31, 2021 have not been recognized into income because the securities are of high credit quality (rated AA or higher), management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recoveries, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach their maturities. The Bank does not consider these securities to be other-than-temporarily impaired at December 31, 2021.

All of the mortgage-backed and agency securities held by the Bank were issued by U.S. government-sponsored entities and agencies, institutions which the government has affirmed its commitment to support.

The Bank has pledged investment securities with an approximate carrying value of \$12,965,000 and \$11,850,000 as of December 31, 2021 and 2020, respectively, to qualify for fiduciary powers in securing public monies as required by law and for other purposes.

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans at year end were as follows:

	<u>2021</u>	<u>2020</u>
Commercial	\$ 15,760,804	\$ 15,238,001
Commercial real estate	103,298,082	99,172,385
Residential real estate	27,488,917	26,624,907
Consumer:		
Auto	2,390,980	2,428,713
Other	5,299,792	5,348,037
	<u>154,238,575</u>	<u>148,812,043</u>
Net deferred loan fees	(231,412)	(192,199)
Allowance for loan losses	<u>(1,384,324)</u>	<u>(1,162,548)</u>
Loans receivable, net	<u>\$ 152,622,839</u>	<u>\$ 147,457,296</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2021 and 2020:

December 31, 2021	Commercial		Residential		Consumer	Unallocated	Total
	Commercial	Real Estate	Real Estate	Real Estate			
Beginning balance, January 1, 2021	\$ 146,569	\$ 539,846	\$ 211,483	\$ 70,238	\$ 194,412	\$ 1,162,548	
Provision for loan losses	32,939	266,286	(7,070)	(14,196)	(37,959)	240,000	
Loans charged-off	(46,402)	-	-	(1,125)	-	(47,527)	
Recoveries	8,193	20,000	-	1,110	-	29,303	
Total ending balance, December 31, 2021	\$ 141,299	\$ 826,132	\$ 204,413	\$ 56,027	\$ 156,453	\$ 1,384,324	

December 31, 2020	Commercial		Residential		Consumer	Unallocated	Total
	Commercial	Real Estate	Real Estate	Real Estate			
Beginning balance, January 1, 2020	\$ 62,610	\$ 579,441	\$ 217,580	\$ 34,088	\$ 84,589	\$ 978,308	
Provision for loan losses	83,959	(27,395)	42,578	41,035	109,823	250,000	
Loans charged-off	-	(12,200)	(48,675)	(4,885)	-	(65,760)	
Recoveries	-	-	-	-	-	-	
Total ending balance, December 31, 2020	\$ 146,569	\$ 539,846	\$ 211,483	\$ 70,238	\$ 194,412	\$ 1,162,548	

The COVID-19 pandemic has resulted in various businesses operating at less than 100% capacity, an increase in the unemployment rate, and an increase in the number of loans that have been granted payment deferrals. In response to the uncertainty in both the business and consumer sectors caused by the COVID-19 pandemic and as well as the level of precision in estimating the effects of a pandemic, a higher-than-normal unallocated reserve was considered necessary in 2020. Although these risks have reduced slightly through 2021, restrictions and controls due to COVID-19 remained, leaving the uncertainty and need for a much higher reserve for commercial real estate, allowing a reduction in the unallocated reserve.

Accrued interest receivable on loans totaled \$411,221 and \$434,084 at December 31, 2021 and 2020, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2021 and 2020:

December 31, 2021	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:						
Individually evaluated for impairment	\$ 38,150	\$ 51,097	\$ -	\$ -	\$ -	\$ 89,247
Collectively evaluated for impairment	<u>103,149</u>	<u>775,035</u>	<u>204,413</u>	<u>56,027</u>	<u>156,453</u>	<u>1,295,077</u>
Total ending allowance balance	<u>\$ 141,299</u>	<u>\$ 826,132</u>	<u>\$ 204,413</u>	<u>\$ 56,027</u>	<u>\$ 156,453</u>	<u>\$ 1,384,324</u>
Loans receivable:						
Individually evaluated for impairment	\$ 38,150	\$ 512,219	\$ -	-	\$ -	\$ 550,369
Collectively evaluated for impairment	<u>15,722,654</u>	<u>102,785,863</u>	<u>27,488,917</u>	<u>7,690,772</u>		<u>153,688,206</u>
Total	<u>\$ 15,760,804</u>	<u>\$ 103,298,082</u>	<u>\$ 27,488,917</u>	<u>\$ 7,690,772</u>		<u>\$ 154,238,575</u>

December 31, 2020	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:						
Individually evaluated for impairment	\$ 71,871	\$ 38,363	\$ -	\$ -	\$ -	\$ 110,234
Collectively evaluated for impairment	<u>74,698</u>	<u>501,483</u>	<u>211,483</u>	<u>70,238</u>	<u>194,412</u>	<u>1,052,314</u>
Total ending allowance balance	<u>\$ 146,569</u>	<u>\$ 539,846</u>	<u>\$ 211,483</u>	<u>\$ 70,238</u>	<u>\$ 194,412</u>	<u>\$ 1,162,548</u>
Loans receivable:						
Individually evaluated for impairment	\$ 103,697	\$ 531,458	\$ -	-	\$ -	\$ 635,155
Collectively evaluated for impairment	<u>15,134,304</u>	<u>98,640,927</u>	<u>26,624,907</u>	<u>7,776,750</u>		<u>148,176,888</u>
Total	<u>\$ 15,238,001</u>	<u>\$ 99,172,385</u>	<u>\$ 26,624,907</u>	<u>\$ 7,776,750</u>		<u>\$ 148,812,043</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

The following table presents information related to impaired loans as of and for the year ended December 31, 2021:

	<u>Unpaid Principal Balance</u>	<u>Recorded Investment</u>	<u>Allowance for Loan Losses Allocated</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With no related allowance recorded:					
Commercial	\$ -	\$ -	\$ -	\$ 60,945	\$ 76
Commercial real estate	<u>310,742</u>	<u>310,742</u>	<u>-</u>	<u>329,971</u>	<u>8,640</u>
Subtotal	<u>310,742</u>	<u>310,742</u>	<u>-</u>	<u>390,916</u>	<u>8,716</u>
With an allowance recorded:					
Commercial	38,150	38,150	38,150	37,395	1,333
Commercial real estate	<u>201,477</u>	<u>201,477</u>	<u>51,097</u>	<u>204,656</u>	<u>8,701</u>
Subtotal	<u>239,627</u>	<u>239,627</u>	<u>89,247</u>	<u>242,051</u>	<u>10,034</u>
Total	<u>\$ 550,369</u>	<u>\$ 550,369</u>	<u>\$ 89,247</u>	<u>\$ 632,967</u>	<u>\$ 18,750</u>

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

	<u>Unpaid Principal Balance</u>	<u>Recorded Investment</u>	<u>Allowance for Loan Losses Allocated</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With no related allowance recorded:					
Commercial	\$ 2,904	\$ 2,904	\$ -	\$ 242	\$ 17
Commercial real estate	<u>282,375</u>	<u>282,375</u>	<u>-</u>	<u>289,016</u>	<u>9,616</u>
Subtotal	<u>285,279</u>	<u>285,279</u>	<u>-</u>	<u>289,258</u>	<u>9,633</u>
With an allowance recorded:					
Commercial	100,793	100,793	71,871	24,513	3
Commercial real estate	<u>249,083</u>	<u>249,083</u>	<u>38,363</u>	<u>101,471</u>	<u>3,726</u>
Subtotal	<u>349,876</u>	<u>349,876</u>	<u>110,234</u>	<u>125,984</u>	<u>3,729</u>
Total	<u>\$ 635,155</u>	<u>\$ 635,155</u>	<u>\$ 110,234</u>	<u>\$ 415,242</u>	<u>\$ 13,362</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

The following tables present the recorded investment in nonaccrual by class of loans as of December 31, 2021 and 2020:

	Nonaccrual	
	2021	2020
Commercial	\$ -	\$ 100,467
Commercial real estate	64,427	-
Residential real estate	690,103	416,569
Consumer:		
Auto	-	1,913
Other	-	47,642
Total	\$ 754,530	\$ 566,591

As of December 31, 2021 and 2020, there were no loans past due 90 days or more and still accruing.

The following tables present the aging of the recorded investment in past due loans as of December 31, 2021 and 2020 by class of loan:

2021	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial	\$ 15,760,804	\$ -	\$ -	\$ -	\$ -	\$ 15,760,804
Commercial real estate	103,298,082	-	-	64,427	64,427	103,233,655
Residential real estate	27,488,917	267,475	85,823	597,416	950,714	26,538,203
Consumer:						
Auto	2,390,980	9,241	-	-	9,241	2,381,739
Other	5,299,792	9,626	-	-	9,626	5,290,166
Total	\$ 154,238,575	\$ 286,342	\$ 85,823	\$ 661,843	\$ 1,034,008	\$ 153,204,567

2020	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial	\$ 15,238,001	\$ -	\$ -	\$ 100,467	\$ 100,467	\$ 15,137,534
Commercial real estate	99,172,385	-	-	-	-	99,172,385
Residential real estate	26,624,907	224,257	74,300	416,569	715,126	25,909,781
Consumer:						
Auto	2,428,713	-	-	1,913	1,913	2,426,800
Other	5,348,037	-	3,622	47,642	51,264	5,296,773
Total	\$ 148,812,043	\$ 224,257	\$ 77,922	\$ 566,591	\$ 868,770	\$ 147,943,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

Troubled Debt Restructurings:

As of December 31, 2021 and 2020, the Bank had a recorded investment in troubled debt restructurings of \$485,942 and \$332,018, respectively.

The Bank has allocated \$89,247 and \$1,223 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2021 and 2020. The Bank chose to lend additional amounts totaling \$70,000 and \$164,000 during the years ended December 31, 2021 and 2020, respectively, due to the borrower's financial troubles being corrected.

There were two loans totaling \$197,000 modified as troubled debt restructurings that occurred during the year ended December 31, 2021. The restructurings were to reduce the interest rates and extend the maturities of each loan to reduce the payments due to the financial weakness the customer was exhibiting. There were no loans modified as troubled debt restructurings that occurred during the year ended December 31, 2020. There were no charge offs of restructured troubled debt during the year ended December 31, 2021 or 2020.

Credit Quality Indicators:

The Bank categorizes loans into risk categories based on relative information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically uses the following definitions for risk ratings:

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

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

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are evaluated for credit quality based on aging status, which was previously presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2021 and 2020 are as follows:

December 31, 2021	Total Loans	Not Rated	Pass	Special Mention	Substandard	Doubtful
Commercial	\$ 15,760,804	\$ -	\$ 15,722,654	\$ 38,150	\$ -	\$ -
Commercial real estate	103,298,082	-	102,785,863	447,792	64,427	-
Residential real estate	27,488,917	26,823,204	-	69,521	596,192	-
Consumer-auto	2,390,980	2,390,980	-	-	-	-
Other	5,299,792	5,299,792	-	-	-	-
Total	<u>\$ 154,238,575</u>	<u>\$ 34,513,976</u>	<u>\$ 118,508,517</u>	<u>\$ 555,463</u>	<u>\$ 660,619</u>	<u>\$ -</u>

December 31, 2020	Total Loans	Not Rated	Pass	Special Mention	Substandard	Doubtful
Commercial	\$ 15,238,001	\$ -	\$ 15,134,304	\$ 3,229	\$ 100,468	\$ -
Commercial real estate	99,172,385	-	98,640,927	531,458	-	-
Residential real estate	26,624,907	25,834,888	-	373,450	416,569	-
Consumer-auto	2,428,713	2,426,800	-	-	1,913	-
Other	5,348,037	5,300,395	-	-	47,642	-
Total	<u>\$ 148,812,043</u>	<u>\$ 33,562,083</u>	<u>\$ 113,775,231</u>	<u>\$ 908,137</u>	<u>\$ 566,592</u>	<u>\$ -</u>

The Bank considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential and consumer loan classes, the Bank also evaluates credit quality based on the performing status of the loan and by payment activity. Nonperforming loans includes loans on nonaccrual status and loans past due 90 days or more still accruing interest.

The following table presents the recorded investment in residential real estate and consumer loans based on performing status as of December 31, 2021:

December 31, 2021	Consumer		Residential Real Estate
	Auto	Other	
Performing	\$ 2,390,980	\$ 5,299,792	\$ 26,798,814
Nonperforming	-	-	690,103
Total	<u>\$ 2,390,980</u>	<u>\$ 5,299,792</u>	<u>\$ 27,488,917</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 4 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (continued)

The following table presents the recorded investment in residential real estate and consumer loans based on performing status as of December 31, 2021:

December 31, 2020	Consumer		Residential
	Auto	Other	Real Estate
Performing	\$ 2,426,800	\$ 5,300,395	\$ 26,208,338
Nonperforming	1,913	47,642	416,569
Total	<u>\$ 2,428,713</u>	<u>\$ 5,348,037</u>	<u>\$ 26,624,907</u>

COVID-19 Loan Forbearance Programs

Section 4013 of the CARES Act provides that banks may elect not to categorize a loan modification as a TDR if the loan modification is (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID-19) outbreak declared by the President on March 13, 2020, under the National Emergencies Act terminates, or (B) December 31, 2020. This expiration date was subsequently extended to January 1, 2022, when the 2021 Consolidated Appropriation Act was signed into law on December 27, 2020.

On April 7, 2020, federal banking regulators issued a revised interagency statement that included guidance on their approach for the accounting of loan modifications in light of the economic impact of the COVID-19 pandemic. The guidance interprets current accounting standards and indicates that a lender can conclude that a borrower is not experiencing financial difficulty if short-term modifications are made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to the loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented.

According to the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) issued by the federal bank regulatory agencies on April 7, 2020, short-term loan modifications not otherwise eligible under Section 4013 that are made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

During 2021, 27 of our customers had requested loan payment deferrals or payments of interest only on loans totaling \$3.6 million. During 2020, 184 of our customers had requested loan payment deferrals or payments of interest only on loans totaling \$22.5 million. In accordance with Section 4013 of the CARES Act, these short-term deferrals are not considered troubled debt restructurings. As of December 31, 2021, the Company has no loans that remain on a CARES Act modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 5 – OTHER REAL ESTATE OWNED (OREO)

Activity for other real estate owned was as follows:

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 165,000	\$ 391,500
Additions to OREO	-	-
Capitalized expenditures	-	-
Disposition of OREO	(165,000)	(169,500)
Direct write-downs	-	(57,000)
End of year	<u>\$ -</u>	<u>\$ 165,000</u>

Expenses related to other real estate owned include:

	<u>2021</u>	<u>2020</u>
Net (loss) gain on sales	\$ (8,240)	\$ (85,466)
Operating expenses, net of rental income	22,248	49,799

Other real estate owned acquired in settlement of loans are carried at fair value, less estimated costs to sell. At December 31, 2021 and 2020, there were no consumer residential mortgages that were foreclosed on or received via a deed in lieu transaction prior to the period end included with the other real estate owned. As of December 31, 2021, the Bank had initiated formal foreclosure proceedings on consumer residential mortgages, which have not yet been transferred into foreclosed assets, of \$402,225.

NOTE 6 - LOAN SERVICING

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at years ended December 31, 2021 and 2020 are \$21,599,000 and \$20,581,000.

Custodial escrow balances maintained in connection with serviced loans were \$302,336 and \$289,647 at year end 2021 and 2020.

Activity for loan servicing rights reported in other assets follows:

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 160,938	\$ 122,646
Additions	60,292	78,100
Disposals	(31,033)	(19,958)
Amortized to expense	(22,752)	(19,850)
Other changes	-	-
Change in valuation allowance	-	-
End of year	<u>\$ 167,445</u>	<u>\$ 160,938</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 7 – PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 783,274	\$ 783,274
Buildings and improvements	2,712,548	2,712,548
Furniture and equipment	1,743,401	2,040,523
	<u>5,239,223</u>	5,536,345
Accumulated depreciation	<u>(2,527,209)</u>	(2,689,475)
End of year	<u>\$ 2,712,014</u>	<u>\$ 2,846,870</u>

Depreciation expense was \$216,658 and \$218,643 for 2021 and 2020, respectively.

NOTE 8 – DEPOSITS

The following table presents a breakdown of deposit types at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Non-interest bearing	\$ 40,163,154	\$ 35,302,879
Interest bearing:		
Demand deposit	12,025,819	8,675,469
Money market deposit account	28,440,382	26,248,224
Savings	26,877,385	21,695,193
Certificates of Deposit	72,613,805	82,413,504
Total interest bearing	<u>139,957,391</u>	<u>139,032,390</u>
Total deposits	<u>\$ 180,120,545</u>	<u>\$ 174,335,269</u>

Scheduled maturities of time deposits over the next five years as of December 31, 2021 were as follows:

	<u>Amount</u>	<u>Percent</u>
2022	\$ 40,931,642	56.4 %
2023	21,349,458	29.4
2024	7,437,259	10.2
2025	1,515,268	2.1
2026	1,380,178	1.9
	<u>\$ 72,613,805</u>	<u>100.0 %</u>

The Bank had time deposits that meet or exceed the FDIC limit of \$250,000, amounting to \$17,857,677 and \$19,230,688 at December 31, 2021 and 2020, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 9 – FEDERAL HOME LOAN BANK ADVANCES

At December 31, 2021 and 2020, the Bank had FHLB advances outstanding as follows:

	<u>2021</u>	<u>2020</u>
Maturities March 18, 2022 through July 8, 2024, fixed rate at rates from 0.54% to 3.00%, weighted average 1.91%.	\$ <u>4,000,000</u>	\$ <u>5,000,000</u>

Each advance is payable at its maturity date, with a prepayment penalty. Based on available collateral and the Bank's holdings of FHLB stock, the Bank is eligible to borrow up to a total of \$91.1 million at year-end 2021.

Maturities of these FHLB advances is as follows:

2022	\$ 2,000,000
2023	1,000,000
2024	1,000,000
	<u>\$ 4,000,000</u>

NOTE 10 – INCOME TAXES

The provision for income taxes for the years ended December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Current	\$ 300,147	\$ 222,595
Deferred	<u>(78,103)</u>	<u>(100,315)</u>
	<u>\$ 222,044</u>	<u>\$ 122,280</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 10 – INCOME TAXES (continued)

The differences between the expected and actual tax provision expressed as percentages of income before income tax for the years ended December 31, 2021 and 2020 are as follows:

	2021		2020	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Provision at statutory rate	\$ 347,593	21.0 %	\$ 247,512	21.0 %
Tax exempt interest income, net of disallowed interest expense	(107,170)	(6.5)	(105,895)	(9.0)
Earnings from bank owned life insurance	(22,081)	(1.3)	(22,148)	(1.9)
Other, net	3,702	0.3	2,811	0.3
Actual tax expense and effective rate	<u>\$ 222,044</u>	<u>13.5 %</u>	<u>\$ 122,280</u>	<u>10.4 %</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets:		
Allowance for loan losses	\$ 236,896	\$ 190,525
Accrued supplemental retirement	229,865	215,168
Other real estate owned	-	11,970
Nonaccrual loan interest	9,581	7,927
Deferred loan origination fees	48,597	40,362
Organizational costs	25,149	-
Total deferred tax assets	<u>550,088</u>	<u>465,952</u>
Deferred tax liabilities:		
Unrealized gain on securities	(44,434)	(142,847)
Mortgage servicing rights	(35,163)	(33,797)
Premises and equipment	(29,872)	(23,693)
Total deferred tax liabilities	<u>(109,469)</u>	<u>(200,337)</u>
Net deferred tax asset	<u>\$ 440,619</u>	<u>\$ 265,615</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 10 – INCOME TAXES (continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Bank will realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

There were no unrecognized tax benefits recorded as of December 31, 2021 and 2020; as a result, no provision has been taken in the financial statements for possible interest and penalties related to unrecognized tax benefits, and the Bank has not recorded an accrual for the payment of interest and penalties as of December 31, 2021 and 2020. The Bank does not expect the amount of unrecognized tax benefits to materially change in the next twelve months.

The Bank is subject to U.S. Federal income tax as well as a capital-based franchise tax in the State of Pennsylvania. The Bank is no longer subject to examination by the taxing authorities for 2017 and prior.

NOTE 11 – EMPLOYEE RETIREMENT PLANS

The Bank sponsors a 401(k) Profit Sharing Plan for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum qualifying standards. The Plan permits employees to make elective contributions to the Plan through pre-tax payroll deductions. The Bank has elected to make matching contributions on behalf of participating employees of 25% of employee contributions to the plan, up to 4% of their total wages. The Bank incurred expense for matching contributions to the plan, totaling \$15,414 and \$14,058 in 2021 and 2020, respectively.

The Bank maintains a supplemental employee retirement plan for certain executive officers of the Bank. These executive officers will receive 30% of their final base salary annually for fifteen years, beginning with the later of retirement or age 65 subject to vesting provisions for years of service. The plan requires ten years of service to be fully vested. Total expense related to the plan for the years ended December 31, 2021 and 2020 was \$47,565 and \$55,078, respectively. The accrued supplemental retirement liability for this plan was \$966,223 and \$925,858 at December 31, 2021 and 2020. Amortization of prior service cost for the years ended December 31, 2021 and 2020 was \$7,200. At December 31, 2021, the unamortized prior service cost from the supplemental retirement plan was \$47,200, for an after-tax amount of \$37,288, recorded in accumulated other comprehensive loss.

The Bank initiated a supplemental employee retirement plan for certain senior officers of the Bank on March 1, 2019. These senior officers will receive 20% of their final base salary annually for fifteen years beginning with the later of retirement or age 65 subject to vesting provisions for years of service. The plan requires seven years of service to be fully vested. Total expense related to the plan for the years ended December 31, 2021 and 2020 was \$29,620 and \$39,422, respectively. The accrued supplemental retirement liability for this plan for the years ended December 31, 2021 and 2020 was \$128,372 and \$98,752, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 12 – OTHER EXPENSES

Other expenses are as follows:

	<u>2021</u>		<u>2020</u>
Advertising	\$ 99,765	\$	77,080
Pennsylvania bank shares tax	134,698		162,205
Charitable contributions	65,675		73,332
Postage and courier	63,097		63,048
Stationary and printing	117,336		121,370
Telephone	70,813		65,215
Directors fees	195,950		214,150
Insurance	81,231		77,359
Miscellaneous	299,380		378,904
	<u>\$ 1,127,945</u>	<u>\$</u>	<u>1,232,663</u>

NOTE 13 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance-sheet risk at year end were as follows:

	<u>2021</u>		<u>2021</u>		<u>2020</u>		<u>2020</u>
	Fixed		Variable		Fixed		Variable
	Rate		Rate		Rate		Rate
Commitments to make loans	\$ 782,000	\$	6,416,000	\$	3,494,000	\$	4,804,000
Unused lines of credit	913,000		19,267,000		693,000		17,801,000
Standby letters of credit	26,000		-		30,000		-

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments at December 31, 2021, have interest rates ranging from 3.25% to 4.99% and maturities ranging from ten years to thirty years. The fixed rate loan commitments at December 31, 2020, had interest rates ranging from 2.38% to 6.50% and maturities ranging from ten years to thirty years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 14 – CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Bank primarily grants loans to customers in Clarion, Armstrong, and Venango counties of Pennsylvania and maintains a diversified loan portfolio. The ability of its debtors to honor their contracts is not substantially dependent on any particular economic business sector.

The Bank has certain risks associated with deposit concentrations. The Bank had 108 accounts greater than \$250,000, representing \$56.9 million in deposits as of December 31, 2021 (32.6% of deposits as of December 31, 2021). As of December 31, 2020, the Bank had 94 accounts greater than \$250,000, representing \$50.4 million in deposits (28.9% of deposits as of December 31, 2020).

At December 31, 2021, approximately \$6.6 million of the Bank's cash and cash equivalents was maintained at various financial institutions in amounts that exceeded the \$250,000 limit on FDIC insured accounts. At December 31, 2020, approximately \$9.8 million of the Bank's cash and cash equivalents was maintained at various financial institutions in amounts that exceeded the \$250,000 limit on FDIC insured accounts.

The Bank is involved in various legal actions from normal business activities. Management believes that any liability arising from such actions will not have a material effect on the Bank's financial position.

NOTE 15 – RELATED PARTIES

Certain executive officers, directors, and principal shareholders of the Bank, and companies in which they have beneficial ownership, were indebted (including loans, available lines of credit, open letters of credit, and third-party co-signors) to the Bank. Activity during 2021 and 2020 are as follows:

	Years Ended	
	December 31,	
	2021	2020
Beginning balance	\$ 1,737,475	\$ 1,585,748
New loans	590,284	434,045
Repayments	586,632	282,318
Ending balance	<u>\$ 1,741,127</u>	<u>\$ 1,737,475</u>

There were no letters of credit by related parties in 2021.

Deposits from principal officers, directors, and their affiliates at year-end 2021 and 2020 were \$7.4 million and \$9.7 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 16 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory-and possible 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, liabilities, and certain off-balance-sheet items, as calculated under U.S. GAAP, regulatory reporting requirements, and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes, as of December 31, 2021, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

In November 2019, federal bank regulatory agencies finalized a rule that simplifies capital requirements for community banks by allowing them to optionally adopt a simple leverage ratio to measure capital adequacy, which removes requirements for calculating and reporting risk-based capital ratios for a qualifying community bank that has less than \$10 billion in total consolidated assets, limited amounts of off-balance-sheet exposures and trading assets and liabilities, and a leverage ratio greater than 9 percent. The community bank leverage ratio framework was effective on January 1, 2020. The Company elected to adopt the optional community bank leverage ratio framework in the first quarter of 2020.

In April 2020, the federal banking regulatory agencies modified the original community bank leverage ratio (CBLR) framework and provided that, as of the second quarter 2020, a banking organization with a leverage ratio of 8 percent or greater and that meets the other existing qualifying criteria may elect to use the community bank leverage ratio framework. The modified rule also stated that the community bank leverage ratio requirement will be greater than 8 percent for the second through fourth quarters of calendar year 2020, greater than 8.5 percent for calendar year 2021, and greater than 9 percent thereafter. The transition rule also maintains a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 100 basis points below the applicable community bank leverage ratio requirement.

The leverage ratios of the Company and the Bank at December 31, 2021 and 2020, are as follows:

	Actual		For Capital Adequacy Puposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2021:						
Tier 1 capital (to average assest)	\$ 18,926	9.29%	\$ 8,152	4.0%	\$ 10,190	5.0%
As of December 31, 2020:						
Tier 1 capital (to average assest)	\$ 17,826	9.02%	\$ 7,903	4.0%	\$ 9,879	5.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 16 – REGULATORY MATTERS (continued)

Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. Under Pennsylvania law, the Bank is only permitted to pay cash dividends out of retained earnings. During 2022, the Bank could, without prior approval, declare dividends of approximately \$1,856,576 plus any 2022 net profits retained to the date of the dividend declaration.

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Bank used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities Available for Sale: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals, which are updated no less frequently than annually.

These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for both collateral-dependent impaired loans and real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Bank. Once received, the Appraisal Review Officer reviews the assumptions and approaches utilized.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2021 are summarized below:

Description	December 31, 2021 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Investment securities available for sale:				
US government sponsored entities and agencies	\$ 6,241,918	\$ 6,241,918	-	-
State and municipal bonds- tax-free	20,854,195	-	20,854,195	-
Residential mortgage- backed securities	4,960,085	-	4,960,085	-
Total investment securities available-for-sale	\$ 32,056,198	\$ 6,241,918	\$ 25,814,280	\$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 are summarized below:

Description	December 31, 2020 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Investment securities available for sale:				
US government sponsored entities and agencies	\$ 2,095,803	\$ 2,095,803	\$ -	-
State and municipal bonds-tax-free	24,391,717	-	24,391,717	-
Residential mortgage-backed securities	995,876	-	995,876	-
Total investment securities available-for-sale	\$ 27,483,396	\$ 2,095,803	\$ 25,387,593	\$ -

Assets measured at fair value on a nonrecurring basis at December 31, 2021 and 2020 are summarized below:

Description	December 31, 2021 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans:				
Commercial real estate	\$ 150,380	\$ -	\$ -	\$ 150,380

Description	December 31, 2020 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans:				
Commercial real estate	\$ 210,720	\$ -	\$ -	\$ 210,720
Commercial	28,922	-	-	28,922
Other real estate owned	\$ 165,000	\$ -	\$ -	\$ 165,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of \$239,627, with a valuation allowance of \$89,247 at December 31, 2021. At December 31, 2020, impaired loans had a carrying amount of \$349,876, with a valuation allowance of \$110,234.

At December 31, 2021, there was no other real estate owned recognized. At December 31, 2020, other real estate owned had a carrying amount of \$165,000 after charge-offs of \$85,466, recognized on initial transfer in 2020.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2021 and 2020:

2021

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Weighted Average</u>
Impaired loans	\$ 150,380	Sales comparison approach	Adjustment for differences between comparable sales	49% (40% - 51% range)

2020

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Weighted Average</u>
Impaired loans	\$ 239,642	Sales comparison approach	Adjustment for differences between comparable sales	52% (40% - 80% range)
Other real estate owned	\$ 165,000	Appraisals	Adjustment for differences between comparable sales	23% (12% - 54% range)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying amount and fair values of financial instruments for December 31, 2021, were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:					
Certificates of deposit	\$ 100,000	\$ 100,070	- \$	- \$	100,070
Loans receivable, net	152,622,839	155,541,000	-	-	155,541,000
Financial liabilities:					
Deposits	\$ 180,120,545	\$ 175,780,000	\$ 102,214,000	- \$	73,566,000
FHLB advances	4,000,000	3,967,200	-	-	3,967,200

The carrying amount and fair values of financial instruments for December 31, 2020, were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:					
Certificates of deposit	\$ 100,000	\$ 100,070	- \$	- \$	100,070
Loans receivable, net	147,457,296	150,228,000	-	-	150,228,000
Financial liabilities:					
Deposits	\$ 174,335,269	\$ 175,362,000	\$ 91,113,000	- \$	84,249,000
FHLB advances	5,000,000	4,911,500	-	-	4,911,500

For cash and cash equivalents, restricted bank stock, bank-owned life insurance, accrued interest receivable, and accrued interest payable, the carrying value is a reasonable estimate of fair value, and is considered a Level 1 measurement.

NOTE 18 – EARNINGS PER COMMON SHARE

The factors used in the earnings per common share computation follows:

	<u>2021</u>	<u>2020</u>
Basic and Diluted		
Net income	\$ <u>1,433,162</u>	\$ <u>1,056,349</u>
Weighted average common shares outstanding	<u>1,665,667</u>	<u>1,665,667</u>
Basic and Diluted earnings per common share	\$ <u>0.86</u>	\$ <u>0.63</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CCCB BANCORP, INC.

For the Years Ended December 31, 2021 and 2020

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2021 and 2020:

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
<u>December 31, 2021</u>			
Beginning balance	\$ 537,376	\$ (42,976)	\$ 494,400
Other comprehensive loss before reclassification	(295,598)	-	(295,598)
Amounts reclassified from accumulated other comprehensive income	<u>(74,623)</u>	<u>5,688</u>	<u>(68,935)</u>
Net current period other comprehensive (loss)/income	<u>(370,221)</u>	<u>5,688</u>	<u>(364,533)</u>
Ending balance	<u>\$ 167,155</u>	<u>\$ (37,288)</u>	<u>\$ 129,867</u>

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
<u>December 31, 2020</u>			
Beginning balance	\$ 217,285	\$ (48,664)	\$ 168,621
Other comprehensive income before reclassification	494,263	-	494,263
Amounts reclassified from accumulated other comprehensive income	<u>(174,172)</u>	<u>5,688</u>	<u>(168,484)</u>
Net current period other comprehensive income/(loss)	<u>320,091</u>	<u>5,688</u>	<u>325,779</u>
Ending balance	<u>\$ 537,376</u>	<u>\$ (42,976)</u>	<u>\$ 494,400</u>

The following table presents current period reclassifications out of accumulated other comprehensive loss and its impact on net income for the years ended December 31, 2021 and 2020:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net gain on securities available for sale	\$ 94,459	\$ 220,471
Income tax expense	<u>(19,836)</u>	<u>(46,299)</u>
Reclassified amount, net of tax	<u>\$ 74,623</u>	<u>\$ 174,172</u>
Prior service cost on supplemental retirement plan (recorded in salaries and employee benefits)	\$ (7,200)	\$ (7,200)
Income tax benefit	<u>1,512</u>	<u>1,512</u>
Reclassified amount, net of tax	<u>\$ (5,688)</u>	<u>\$ (5,688)</u>