CLARION COUNTY

COMMUNITY BANK

2019 ANNUAL REPORT

CLARION COUNTY COMMUNITY BANK

FINANCIAL STATEMENTS

December 31, 2019 and 2018

FINANCIAL STATEMENTS

CLARION COUNTY COMMUNITY BANK

December 31, 2019 and 2018

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SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clarion County Community Bank
Clarion, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Clarion County Community Bank, which comprise the balance sheets as of December 31, 2019 and 2018; 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 financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clarion County Community Bank as of December 31, 2019 and 2018, 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.

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 19, 2020

BALANCE SHEETS

CLARION COUNTY COMMUNITY BANK

	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	$ 1,246,455	$ 1,126,044
Interest bearing deposits with banks	7,938,367	7,733,984
Cash and cash equivalents	9,184,822	8,860,028
Certificates of deposit	349,000	847,000
Investment securities available for sale	23,224,065	19,999,338
Restricted bank stock, at cost	1,009,300	1,058,600
Loans receivable, net of allowance for loan losses of $978,308 in 2019 and $938,934 in 2018	133,090,142	122,892,648
Premises and equipment, net	2,980,142	3,295,237
Other real estate owned, net	391,500	179,400
Bank owned life insurance	3,960,929	1,615,394
Net deferred taxes	258,199	342,333
Other assets	938,428	1,058,239
Total Assets	$ 175,386,527	$ 160,148,217
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	$ 22,945,189	$ 21,305,708
Interest bearing	128,709,571	115,171,544
Total deposits	151,654,760	136,477,252
Federal Home Loan Bank advances	5,000,000	6,000,000
Accrued interest and other liabilities	1,493,911	1,450,103
Total liabilities	158,148,671	143,927,355
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 2019 and 2018	1,665,667	1,665,667
Surplus	10,647,455	10,647,455
Retained earnings	4,756,113	4,186,743
Accumulated other comprehensive income/(loss)	168,621	(279,003)
Total stockholders' equity	17,237,856	16,220,862
Total Liabilities and Stockholders' Equity	$ 175,386,527	$ 160,148,217

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

STATEMENTS OF INCOME

CLARION COUNTY COMMUNITY BANK

	Years Ended December 31, 2019	2018
Interest Income		
Loans, including fees	**$ 7,106,861**	$ 6,753,929
Taxable securities	**166,969**	136,316
Tax exempt securities	**432,159**	327,839
Interest bearing deposits	**144,455**	93,066
Total interest income	**7,850,444**	7,311,150
Interest Expense		
Deposits	**1,962,487**	1,303,170
Federal Home Loan Bank advances	**119,536**	121,376
Total interest expense	**2,082,023**	1,424,546
Net Interest Income	**5,768,421**	5,886,604
Provision for Loan Losses	**315,000**	315,000
Net Interest Income after Provision for Loan Losses	**5,453,421**	5,571,604
Other Income		
Service fees	**125,130**	126,264
Bank owned life insurance	**95,535**	33,629
Net gains on sales of loans held for sale	**47,155**	25,363
Net gain/(loss) on securities available for sale	**23,048**	(2,189)
Other	**217,239**	198,120
Total other income	**508,107**	381,187
Other Expenses		
Salaries and employee benefits	**2,560,130**	2,400,172
Professional fees	**221,563**	152,729
FDIC insurance	**23,123**	47,738
Occupancy and equipment	**480,617**	467,175
Data processing	**659,059**	554,382
Other (see Note 12)	**1,115,412**	977,441
Total other expenses	**5,059,904**	4,599,637
Income Before Income Tax Expense	**901,624**	1,353,154
Income Tax Expense	**82,404**	209,950
Net Income	**$ 819,220**	$ 1,143,204
Earnings per Common Share	**$ 0.49**	$ 0.69

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

STATEMENTS OF COMPREHENSIVE INCOME

CLARION COUNTY COMMUNITY BANK

	Years Ended December 31, 2019	Years Ended December 31, 2018
Net income	**$ 819,220**	$ 1,143,204
Unrealized holding gain/(loss) on available for sale securities	**582,460**	(217,861)
Reclassification adjustment for (gain)/loss realized in income	**(23,048)**	2,189
Net unrealized gain/(loss)	**559,412**	(215,672)
Tax effect	**(117,476)**	45,291
Net-of-tax amount	**441,936**	(170,381)
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 income/(loss)	**447,624**	(164,693)
Total comprehensive income	**$ 1,266,844**	$ 978,511

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

CLARION COUNTY COMMUNITY BANK

For the Years Ended December 31, 2019 and 2018

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at January 1, 2018	$ 1,665,667	$ 10,647,455	$ 3,276,727	$ (114,310)	$ 15,475,539
Net income	-	-	1,143,204	-	1,143,204
Cash dividend, $0.14 per share	-	-	(233,188)	-	(233,188)
Other comprehensive loss	-	-	-	(164,693)	(164,693)
Balance at December 31, 2018	1,665,667	10,647,455	4,186,743	(279,003)	16,220,862
Net income	**-**	**-**	**819,220**	**-**	**819,220**
Cash dividend, $0.15 per share	**-**	**-**	**(249,850)**	**-**	**(249,850)**
Other comprehensive income	**-**	**-**	**-**	**447,624**	**447,624**
Balance at December 31, 2019	**$ 1,665,667**	**$ 10,647,455**	**$ 4,756,113**	**$ 168,621**	**$ 17,237,856**

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

STATEMENTS OF CASH FLOWS

CLARION COUNTY COMMUNITY BANK

For the Years Ended December 31, 2019 and 2018

	For the Years Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 819,220**	$ 1,143,204
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	**222,896**	216,019
Net amortization of premiums and discounts	**64,433**	62,110
Net (gain)/loss on securities available for sale	**(23,048)**	2,189
Provision for loan losses	**315,000**	315,000
Net gains on sale of loans held for sale	**(47,154)**	(25,363)
Loans originated for sale	**(1,903,110)**	(1,684,981)
Proceeds from sale of loans held for sale	**1,950,264**	1,710,344
Loss on OREO, net	**58,165**	-
Deferred taxes	**(30,578)**	42,623
Earnings on bank owned life insurance	**(95,535)**	(33,629)
Change in:		
Deferred loan fees	**(1,832)**	(35,737)
Other assets	**115,535**	(330,542)
Accrued interest and other liabilities	**43,808**	232,252
Net Cash From Operating Activities	**1,488,064**	1,613,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available for sale securities	**(11,513,904)**	(6,489,747)
Proceeds from sales of securities available for sale	**6,679,095**	997,189
Maturities and calls of available for sale securities	**1,000,000**	764,000
Principal payments from mortgage-backed securities	**1,135,310**	1,768,209
Purchase of restricted bank stock	**(78,700)**	(452,200)
Redemption or call of restricted bank stock	**128,000**	432,900
Purchases of certificates of deposit	**(100,000)**	(1,196,000)
Maturities of certificates of deposit	**598,000**	449,000
Proceeds from sale of foreclosed assets	**128,500**	153,171
Loan originations and repayments, net	**(10,680,163)**	4,045,452
Purchase of bank owned life insurance	**(2,250,000)**	-
Proceeds from sale of premises and equipment	**2,399**	-
Purchases of premises and equipment	**(139,465)**	(122,661)
Net Cash Used on/From Investing Activities	**(15,090,928)**	349,313
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	**15,177,508**	1,869,636
Repayment of FHLB borrowings	**(1,000,000)**	-
Cash dividends paid on common stock	**(249,850)**	(233,188)
Net Cash From Financing Activities	**13,927,658**	1,636,448
Net Change in Cash and Cash Equivalents	**324,794**	3,599,250
Cash and Cash Equivalents at Beginning of Year	**8,860,028**	5,260,778
Cash and Cash Equivalents at End of Year	**$ 9,184,822**	$ 8,860,028
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 1,996,847**	$ 1,385,355
Income taxes paid	**20,000**	324,000
Non-cash disclosures:		
Other real estate acquired in settlement of loans	**$ 319,500**	$ 332,571

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization: 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 named CNB Community Bank. The Bank has subsequently changed its name to Clarion County Community Bank. 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 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.

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through March 19, 2020, 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.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

related to other factors, which is recognized in other comprehensive income and 2) OTTI related to credit loss, which must be recognized in the income statement. 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.

Loan 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, 2019 and 2018.

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.

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 Bank'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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

that the Bank 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 Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

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-five percent of the Bank's loan portfolio is 1-4 family real estate, home equity lines of credit, and consumer installment loans made to individuals in the Bank'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 Bank'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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

management of the related businesses. These loans may be affected, to a greater extent, 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 Bank 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 $39,901 and $42,155 for the years ended December 31, 2019 and 2018, respectively. Amortization of mortgage servicing rights, which are also recorded in other non-interest income, totaled $17,876 and $17,778 for the years ended December 31, 2019 and 2018. No impairment was recorded in 2019 or 2018.

Foreclosed Assets: Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at 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. Members are required to own a certain amount of stock based on the level of borrowings and other

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

factors, and may invest in additional amounts. FHLB stock is 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.

The Bank 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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Effective January 1, 2018, the Company adopted ASU No. 2014-09 *Revenue from Contracts with Customers* (*Topic 606*) and all subsequent ASUs that modified Topic 606. As stated in Note 1 *Summary of Significant Accounting Policies*, the implementation of the new standard did not have a material impact on the measurement or recognition of revenue; as such, a cumulative effect adjustment to opening retained earnings was not deemed necessary. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

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, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company’s revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

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

NOTE 2 – REVENUE RECOGNITION (continued)

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 securities available-for-sale at December 31, 2019, and the corresponding amounts of gross unrealized gains and losses.

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored entities and agencies	$ 1,663,825	$ 2,130	$ (12,362)	$ 1,653,593
State and municipal bonds-tax free	16,113,644	305,359	(60,572)	16,358,431
Residential mortgage-backed securities	5,171,552	53,634	(13,145)	5,212,041
	$ 22,949,021	$ 361,123	$ (86,079)	$ 23,224,065

The following table summarizes the amortized cost and fair value of securities available-for-sale at December 31, 2018, and the corresponding amounts of gross unrealized gains and losses.

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored entities and agencies	$ 2,416,026	$ -	$ (56,232)	$ 2,359,794
State and municipal bonds-tax free	13,070,370	35,471	(175,902)	12,929,939
Residential mortgage-backed securities	4,797,310	9,445	(97,150)	4,709,605
	$ 20,283,706	$ 44,916	$ (329,284)	$ 19,999,338

NOTE 3 – INVESTMENT SECURITIES (continued)

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

	2019	2018
Proceeds	$ **6,679,095**	$ 997,189
Gross gains	**46,400**	-
Gross losses	**(23,352)**	(2,189)

The tax provision/(benefit) related to the net realized loss/gain was $4,840 and $(460), 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, 2019 and 2018, the Bank held $944,300 and $993,600 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, 2019 or 2018.

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

	December 31, 2019	
	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	**1,402,693**	**1,409,579**
Due after ten years	**16,374,776**	**16,602,445**
Residential mortgage-backed securities	**5,171,552**	**5,212,041**
	$ 22,949,021	**$ 23,224,065**

NOTE 3 – INVESTMENT SECURITIES (continued)

The following table summarizes investment securities with unrealized losses at December 31, 2019 and 2018, by major security type and length of time in a continuous unrealized loss position:

	December 31, 2019					
	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	$ 499,000	$ (1,000)	$ 1,012,521	$ (11,362)	$ 1,511,521	$ (12,362)
State and municipal bonds-tax free	3,530,647	(45,124)	514,450	(15,448)	4,045,097	(60,572)
Residential mortgage-backed securities	1,951,446	(8,323)	523,843	(4,822)	2,475,289	(13,145)
	$ 5,981,093	$ (54,447)	$ 2,050,814	$ (31,632)	$ 8,031,907	$ (86,079)

	December 31, 2018					
	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	$ -	$ -	$ 2,359,794	$ (56,232)	$ 2,359,794	$ (56,232)
State and municipal bonds-tax free	3,692,199	(63,402)	3,451,812	(112,500)	7,144,011	(175,902)
Residential mortgage-backed securities	1,330,325	(8,474)	2,770,670	(88,676)	4,100,995	(97,150)
	$ 5,022,524	$ (71,876)	$ 8,582,276	$ (257,408)	$ 13,604,800	$ (329,284)

Unrealized losses on the twenty-four securities at December 31, 2019 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, 2019.

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.

NOTE 3 – INVESTMENT SECURITIES (continued)

The Bank has pledged investment securities with an approximate carrying value of $9,000,000 and $7,450,000 as of December 31, 2019 and 2018, 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:

	2019	2018
Commercial	$ **15,575,337**	$ 13,736,814
Commercial real estate	**85,303,872**	78,989,835
Residential real estate	**25,784,994**	23,885,461
Consumer:		
Auto	**2,394,428**	1,773,613
Other	**5,109,511**	5,547,383
	134,168,142	123,933,106
Net deferred loan fees	**(99,692)**	(101,524)
Allowance for loan losses	**(978,308)**	(938,934)
Loans receivable, net	$ **133,090,142**	$ 122,892,648

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2019:

December 31, 2019	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Beginning balance, January 1, 2019	$ 93,662	$ 607,926	$ 187,792	$ 39,883	$ 9,671	$ 938,934
Provision for loan losses	(153)	162,425	51,544	26,266	74,918	315,000
Loans charged-off	(30,899)	(214,240)	(21,756)	(32,061)	-	(298,956)
Recoveries	-	23,330	-	-	-	23,330
Total ending balance, December 31, 2019	$ 62,610	$ 579,441	$ 217,580	$ 34,088	$ 84,589	$ 978,308

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, 2018:

December 31, 2018	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Beginning balance, January 1, 2018	$ 93,949	$ 685,117	$ 270,265	$ 6,555	$ 191,670	$ 1,247,556
Provision for loan losses	64,983	478,978	(82,473)	35,511	(181,999)	315,000
Loans charged-off	(65,416)	(556,169)	-	(2,183)	-	(623,768)
Recoveries	146	-		-	-	146
Total ending balance, December 31, 2018	$ 93,662	$ 607,926	$ 187,792	$ 39,883	$ 9,671	$ 938,934

The next several tables exclude accrued interest receivable and net deferred loan fees in the recorded investment. Accrued interest receivable totaled $347,453 and $348,061 at December 31, 2019 and 2018. Net deferred loan fees totaled $(99,692) and $(101,524) at December 31, 2019 and 2018, which are not considered to be material to the loan balances.

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, 2019:

December 31, 2019	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:						
Individually evaluated for impairment	$ -	$ 46,192	$ -	$ -	$ -	$ 46,192
Collectively evaluated for impairment	62,610	533,249	217,580	34,088	84,589	932,116
Total ending allowance balance	$ 62,610	$ 579,441	$ 217,580	$ 34,088	$ 84,589	$ 978,308
Loans receivable:						
Individually evaluated for impairment	$ -	$ 642,975	$ -	$ -		$ 642,975
Collectively evaluated for impairment	15,575,337	84,660,897	25,784,994	7,503,939		133,525,167
Total	$ 15,575,337	$ 85,303,872	$ 25,784,994	$ 7,503,939		$ 134,168,142

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, 2018:

December 31, 2018	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses:						
Individually evaluated for impairment	$ 26,794	$ 76,485	$ -	$ -	$ -	$ 103,279
Collectively evaluated for impairment	66,868	531,441	187,792	39,883	9,671	835,655
Total ending allowance balance	$ 93,662	$ 607,926	$ 187,792	$ 39,883	$ 9,671	$ 938,934
Loans receivable:						
Individually evaluated for impairment	$ 47,863	$ 756,535	$ -	$ -		$ 804,398
Collectively evaluated for impairment	13,688,951	78,233,300	23,885,461	7,320,996		123,128,708
Total	$ 13,736,814	$ 78,989,835	$ 23,885,461	$ 7,320,996		$ 123,933,106

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

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	$ 5,287	$ -
Commercial real estate	472,943	472,943	-	655,071	24,129
Subtotal	472,943	472,943	-	660,358	24,129
With an allowance recorded:					
Commercial	-	-	-	14,036	-
Commercial real estate	170,032	170,032	46,192	54,944	2,925
Subtotal	170,032	170,032	46,192	68,980	2,925
Total	$ 642,975	$ 642,975	$ 46,192	$ 729,338	$ 27,054

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

The following table presents information related to impaired loans by class of loans as of and for the year ended December 31, 2018:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 21,069	$ 21,069	$ -	$ 14,025	$ 145
Commercial real estate	384,110	384,110	-	964,721	18,284
Subtotal	405,179	405,179	-	978,746	18,429
With an allowance recorded:					
Commercial	26,794	26,794	26,794	2,233	-
Commercial real estate	372,425	372,425	76,485	290,910	10,370
Subtotal	399,219	399,219	103,279	293,143	10,370
Total	$ 804,398	$ 804,398	$ 103,279	$ 1,271,889	$ 28,799

The following tables present the recorded investment in nonaccrual by class of loans as of December 31, 2019 and 2018:

	Nonaccrual	
	2019	**2018**
Commercial	**$ -**	$ 47,863
Commercial real estate	**292,503**	369,314
Residential real estate	**352,511**	300,490
Consumer:		
Auto	**-**	23,849
Other	**45,371**	-
Total	**$ 690,385**	$ 741,516

As of December 31, 2019 and 2018, there were no loans past due 90 days or more and still accruing.

NOTES TO FINANCIAL STATEMENTS

CLARION COUNTY COMMUNITY BANK

For the Years Ended December 31, 2019 and 2018

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

The following tables present the aging of the recorded investment in past due loans as of December 31, 2019 and 2018 by class of loan:

2019	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	$ 15,575,337	$ 100,902	$ -	$ -	$ 100,902	$ 15,474,435
Commercial real estate	85,303,872	157,208	-	174,875	332,083	84,971,789
Residential real estate	25,784,994	207,329	285,918	352,511	845,758	24,939,236
Consumer:						
Auto	2,394,428	2,830	3,014	-	5,844	2,388,584
Other	5,109,511	-	-	45,371	45,371	5,064,140
Total	$ 134,168,142	$ 468,269	$ 288,932	$ 572,757	$ 1,329,958	$ 132,838,184

2018	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	$ 13,736,814	$ -	$ 20,095	$ 47,863	$ 67,958	$ 13,668,856
Commercial real estate	78,989,835	-	-	369,314	369,314	78,620,521
Residential real estate	23,885,461	311,000	-	300,490	611,490	23,273,971
Consumer						
Auto	1,773,613	-	-	23,849	23,849	1,749,764
Other	5,547,383	38,773	1,036	-	39,809	5,507,574
Total	$ 123,933,106	$ 349,773	$ 21,131	$ 741,516	$ 1,112,420	$ 122,820,686

Troubled Debt Restructurings:

As of December 31, 2019 and 2018, the Bank had a recorded investment in troubled debt restructurings of $350,472 and $387,221, respectively.

The Bank has allocated $20,364 and $32,347 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2019 and 2018. The Bank chose to lend additional amounts totaling $376,300 and $20,400 during the years ended December 31, 2019 and 2018, respectively, due to the borrower's financial troubles being corrected.

There were no loans modified as troubled debt restructurings that occurred during the year ended December 31, 2019 or 2018. There were no charge offs of restructured troubled debt during the year ended December 31, 2019 or 2018.

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

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.

Based on the most recent analysis performed, the risk category of loans by class of loans at December 31, 2019 is as follows:

December 31, 2019	Total Loans	Not Rated	Pass	Special Mention	Substandard	Doubtful
Commercial	$ 15,575,337	$ -	$ 15,575,337	$ -	$ -	$ -
Commercial real estate	85,303,872	-	84,660,897	468,100	174,875	-
Residential real estate	25,784,994	25,045,943	-	385,367	353,684	-
Consumer-auto	2,394,428	2,394,428	-	-	-	-
Other	5,109,511	5,064,140	-	45,371	-	-
Total	$ 134,168,142	$ 32,504,511	$ 100,236,234	$ 898,838	$ 528,559	$ -

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, 2018 was as follows:

December 31, 2018	Total Loans	Not Rated	Pass	Special Mention	Substandard	Doubtful
Commercial	$ 13,736,814	$ -	$ 13,688,951	$ -	$ 21,069	$ 26,794
Commercial real estate	78,989,835	-	78,233,300	387,221	369,314	-
Residential real estate	23,885,461	23,584,971	-		300,490	-
Consumer-auto	1,773,613	1,749,764	-	-	23,849	-
Other	5,547,383	5,547,383	-	-	-	-
Total	$ 123,933,106	$ 30,882,118	$ 91,922,251	$ 387,221	$ 714,722	$ 26,794

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, which was previously presented, 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 and consumer loans based on performing status as of December 31, 2019 and 2018:

	Consumer		Residential
December 31, 2019	**Auto**	**Other**	**Real Estate**
Performing	**$ 2,394,428**	**$ 5,064,140**	**$ 25,432,483**
Nonperforming	**-**	**45,371**	**352,511**
Total	**$ 2,394,428**	**$ 5,109,511**	**$ 25,784,994**

	Consumer		Residential
December 31, 2018	**Auto**	**Other**	**Real Estate**
Performing	$ 1,749,764	$ 5,547,383	$ 23,584,971
Nonperforming	23,849	-	300,490
Total	$ 1,773,613	$ 5,547,383	$ 23,885,461

NOTE 5 – OTHER REAL ESTATE OWNED (OREO)

Activity for other real estate owned was as follows:

	2019	2018
Beginning of year	$ **179,400**	$ -
Additions to OREO	**319,500**	332,571
Capitalized expenditures	**-**	-
Disposition of OREO	**(107,400)**	(153,171)
End of year	$ **391,500**	$ 179,400

Expenses related to other real estate owned include:

	2019	2018
Net gain on sales	$ **21,100**	$ -
Operating expenses, net of rental income	**28,815**	16,744

Other real estate owned acquired in settlement of loans are carried at fair value, less estimated costs to sell. At December 31, 2019, the balance of other real estate owned includes $94,500 of 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. At December 31, 2018, 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, 2019, the Bank did not initiate any formal foreclosure proceedings on consumer residential mortgages, which have not yet been transferred into foreclosed assets.

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, 2019 and 2018 are $16,530,000 and $16,737,000.

Custodial escrow balances maintained in connection with serviced loans were $228,555 and $231,351 at year end 2019 and 2018.

Activity for loan servicing rights reported in other assets follows:

	2019	2018
Beginning of year	$ **130,286**	$ 137,311
Additions	**25,883**	19,928
Disposals	**(15,647)**	(9,175)
Amortized to expense	**(17,876)**	(17,778)
Other changes	**-**	-
Change in valuation allowance	**-**	-
End of year	$ **122,646**	$ 130,286

NOTE 7 – PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	2019	2018
Land	$ **783,274**	$ 799,994
Buildings and improvements	**2,712,548**	2,960,562
Furniture and equipment	**1,971,155**	1,873,538
	5,466,977	5,634,094
Accumulated depreciation	**(2,486,835)**	(2,338,857)
End of year	$ **2,980,142**	$ 3,295,237

Depreciation expense was $222,896 and $216,019 for 2019 and 2018, respectively.

NOTE 8 – DEPOSITS

The following table presents a breakdown of deposit types at December 31, 2019 and 2018:

	2019	2018
Non-interest bearing	$ **22,945,189**	$ 21,305,708
Interest bearing:		
Demand deposit	**5,337,623**	5,824,696
Money market deposit account	**17,785,514**	17,870,450
Savings	**17,543,135**	18,495,940
Certificates of Deposit	**88,043,299**	72,980,458
Total interest bearing	**128,709,571**	115,171,544
Total deposits	$ **151,654,760**	$ 136,477,252

Scheduled maturities of time deposits over the next five years as of December 31, 2019 were as follows:

	Amount	Percent
2020	$ **37,141,952**	**42.2** %
2021	**20,180,419**	**22.9**
2022	**11,082,332**	**12.6**
2023	**13,842,217**	**15.7**
2024	**5,796,379**	**6.6**
	$ **88,043,299**	**100.0** %

The Bank had time deposits that meet or exceed the FDIC limit of $250,000, amounting to $20,804,632 and $12,747,906 at December 31, 2019 and 2018, respectively.

NOTE 9 – FEDERAL HOME LOAN BANK ADVANCES

At December 31, 2019 and 2018, the Bank had FHLB advances outstanding as follows:

	2019	2018
Maturities March 30, 2020 through July 17, 2023, fixed rate at rates from 1.45% to 3.00%, averaging 2.30%.	**$ 5,000,000**	$ 6,000,000

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 $78.3 million at year-end 2019.

Payments over the next five years are as follows:

2020	**$ 1,000,000**
2021	**1,000,000**
2022	**2,000,000**
2023	**1,000,000**
	$ 5,000,000

NOTE 10 – INCOME TAXES

The provision for income taxes for the years ended December 31, 2019 and 2018 consists of the following:

	2019	2018
Current	**$ 112,982**	$ 167,327
Deferred	**(30,578)**	42,623
	$ 82,404	$ 209,950

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, 2019 and 2018 are as follows:

	2019		2018	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Provision at statutory rate	**$ 189,341**	**21.0 %**	$ 284,162	21.0 %
Tax exempt interest income, net of disallowed interest expense	**(88,258)**	**(9.8)**	(73,944)	(5.5)
Earnings from bank owned life insurance	**(20,062)**	**(2.2)**	(7,062)	(0.5)
Other, net	**1,383**	**0.1**	6,794	0.5
Actual tax expense and effective rate	**$ 82,404**	**9.1 %**	$ 209,950	15.5 %

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, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets:		
Allowance for loan losses	**$ 148,488**	$ 144,705
Unrealized loss on securities	**-**	59,717
Accrued supplemental retirement	**196,836**	158,052
Nonaccrual loan interest	**6,839**	11,448
Deferred loan origination fees	**20,935**	21,299
Total deferred tax assets	**373,098**	395,221
Deferred tax liabilities:		
Unrealized gain on securities	**(57,759)**	-
Mortgage servicing rights	**(25,756)**	(27,360)
Premises and equipment	**(37,683)**	(40,011)
Total deferred tax liabilities	**(121,198)**	(67,371)
Net deferred tax asset	**$ 251,900**	$ 327,850

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, 2019 and 2018; 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, 2019 and 2018. 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 2015 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 $11,025 and $8,118 in 2019 and 2018, 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, 2019 and 2018 was $63,750 and $77,565, respectively. The accrued supplemental retirement liability for this plan was $877,980 and $821,430 at December 31, 2019 and 2018. Amortization of prior service cost for the years ended December 31, 2019 and 2018 was $7,200. At December 31, 2019, the unamortized prior service cost from the supplemental retirement plan was $61,600, for an after-tax amount of $48,664, 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 year ended December 31, 2019 was $59,330. The accrued supplemental retirement liability for this plan was $59,330 at December 31, 2019.

NOTE 12 – OTHER EXPENSES

Other expenses are as follows:

	2019	2018
Advertising	$ **107,969**	$ 114,596
Pennsylvania bank shares tax	**122,762**	140,710
Charitable contributions	**41,323**	28,279
Postage and courier	**57,867**	55,141
Stationary and printing	**110,136**	92,871
Telephone	**59,050**	54,197
Directors fees	**205,700**	177,350
Insurance	**64,824**	63,837
Miscellaneous	**345,781**	250,460
	$ **1,115,412**	$ 977,441

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:

	2019 Fixed Rate	2019 Variable Rate	2018 Fixed Rate	2018 Variable Rate
Commitments to make loans	$ **2,440,000**	$ **8,498,000**	$ 1,214,000	$ 4,328,000
Unused lines of credit	**217,000**	**12,483,000**	267,000	11,759,000
Standby letters of credit	**9,000**	**-**	83,000	-

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments at December 31, 2019, have interest rates ranging from 3.88% to 7.00% and maturities ranging from ten years to thirty years. The fixed rate loan commitments at December 31, 2018, had interest rates ranging from 4.50% to 6.75% and maturities ranging from ten years to thirty years.

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 68 accounts greater than $250,000, representing $36.5 million in deposits as of December 31, 2019 (24.1% of deposits as of December 31, 2019). As of December 31, 2018, the Bank had 60 accounts greater than $250,000, representing $30.6 million in deposits (22.4% of deposits as of December 31, 2018).

At December 31, 2019, approximately $7.7 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, 2018, approximately $7.5 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 2019 was as follows:

Beginning balance	$	**1,376,434**
New loans		**619,547**
Repayments		**410,233**
Ending balance	$	**1,585,748**

There were two open letters of credit by related parties in 2019 totaling $5,000.

Deposits from principal officers, directors, and their affiliates at year-end 2019 and 2018 were $6.0 million and $9.1 million, respectively.

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.

NOTE 16 – REGULATORY MATTERS (continued)

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.

Qualitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, common equity Tier 1 capital to total risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2019, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2019 and 2018, the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based capital, Tier 1 risk-based capital, common equity Tier 1 risk-based capital, and Tier 1 leverage ratios of at least 10 percent, 8 percent, 6.5 percent, and 5 percent, respectively.

Actual and required capital amounts and ratios are presented below at year end.

	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, 2019:						
Total capital (to risk-weighted assets)	**$ 18,048**	**11.38%**	**$ 12,692**	**8.0%**	**$ 15,865**	**10.0%**
Tier 1 capital (to risk-weighted assets)	**17,070**	**10.76%**	**9,519**	**6.0%**	**12,692**	**8.0%**
Common equity Tier 1 capital (to risk-weighted assets)	**17,070**	**10.76%**	**7,139**	**4.5%**	**10,312**	**6.5%**
Tier 1 capital (to average assest)	**17,070**	**9.75%**	**7,001**	**4.0%**	**8,751**	**5.0%**
As of December 31, 2018:						
Total capital (to risk-weighted assets)	$ 17,439	12.08%	$ 11,551	8.0%	$ 14,438	10.0%
Tier 1 capital (to risk-weighted assets)	16,500	11.43%	8,663	6.0%	11,551	8.0%
Common equity Tier 1 capital (to risk-weighted assets)	16,500	11.43%	6,497	4.5%	9,385	6.5%
Tier 1 capital (to average assest)	16,500	10.28%	6,419	4.0%	8,023	5.0%

Capital rules that became effective on January 1, 2015 introduced a requirement for a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets, which is in addition to the other minimum risk-based capital standards described above. Institutions that do not maintain this required capital buffer become subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. The capital buffer requirement was phased in over four

NOTE 16 – REGULATORY MATTERS (continued)

years, and became fully phased-in on January 1, 2019. At January 1, 2019 and 2020, the Bank met all capital adequacy requirements on a fully phased-in basis.

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 2020, the Bank could, without prior approval, declare dividends of approximately $1,479,388 plus any 2020 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: 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

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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, 2019 are summarized below:

Description	December 31, 2019 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
US government sponsored entities and agencies	$ 1,653,593	$ 1,653,593	$ -	$ -
State and municipal bonds-tax-free	16,358,431	-	16,358,431	-
Residential mortgage-backed securities	5,212,041	-	5,212,041	-
Total investment securities available-for-sale	$ 23,224,065	$ 1,653,593	$ 21,570,472	$ -

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2018 are summarized below:

Description	December 31, 2018 Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
US government sponsored entities and agencies	$ 2,359,794	$ 2,359,794	$ -	$ -
State and municipal bonds-tax-free	12,929,939	-	12,929,939	-
Residential mortgage-backed securities	4,709,605	-	4,709,605	-
Total investment securities available-for-sale	$ 19,999,338	$ 2,359,794	$ 17,639,544	$ -

Assets measured at fair value on a nonrecurring basis are summarized below:

Description	**December 31, 2019 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	**$ 123,840**	**$ -**	**$ -**	**$ 123,840**
Other real estate owned	**$ 391,500**	**$ -**	**$ -**	**$ 391,500**

Description	**December 31, 2018 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	$ 295,940	$ -	$ -	$ 295,940
Other real estate owned	$ 179,400	$ -	$ -	$ 179,400

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value on a nonrecurring basis are summarized below:

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of $170,032, with a valuation allowance of $46,192 at December 31, 2019. At December 31, 2018, impaired loans had a carrying amount of $399,219, with a valuation allowance of $103,279.

At December 31, 2019, other real estate owned had a carrying amount of $391,500 after charge-offs of $197,812 recognized on initial transfer in 2019. At December 31, 2018, other real estate owned had a carrying amount of $179,400 after charge-offs of $556,169, recognized on initial transfer in 2018.

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, 2019 and 2018:

	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Impaired loans	**$ 123,840**	**Sales comparison approach**	**Adjustment for differences between comparable sales**	**40%**
Other real estate owned	**$ 391,500**	**Appraisals**	**Adjustment for differences between comparable sales**	**61%**

2018

	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Impaired loans	$ 295,940	Sales comparison approach	Adjustment for differences between comparable sales	26%
Other real estate owned	$ 179,400	Appraisals	Adjustment for differences between comparable sales	66%

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying amount and fair values of financial instruments for December 31, 2019, were as follows:

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	**$ 9,184,822**	**$ 9,184,822**	**$ 9,184,822**	**$ -**	**$ -**
Certificates of deposit	**349,000**	**349,768**	**-**	**-**	**349,768**
Securities available for sale	**23,224,065**	**23,224,065**	**1,653,593**	**21,570,472**	**-**
Restricted bank stock	**1,009,300**	**N/A**	**N/A**	**-**	**-**
Loans receivable, net	**133,090,142**	**134,296,225**	**-**	**-**	**134,296,225**
Bank owned life insurance	**3,960,929**	**3,960,929**	**3,960,929**	**-**	**-**
Accrued interest receivable	**481,677**	**481,677**	**481,677**	**-**	**-**
Financial liabilities:					
Deposits	**151,654,760**	**152,952,387**	**63,610,086**	**-**	**89,342,301**
FHLB advances	**5,000,000**	**5,000,000**	**-**	**-**	**5,000,000**
Accrued interest payable	**238,235**	**238,235**	**238,235**	**-**	**-**

The carrying amount and fair values of financial instruments for December 31, 2018, were as follows:

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 8,860,028	$ 8,860,028	$ 8,860,028	$ -	$ -
Certificates of deposit	847,000	845,814	-	-	845,814
Securities available for sale	19,999,338	19,999,338	2,359,794	17,639,544	-
Restricted bank stock	1,058,600	N/A	N/A	-	-
Loans receivable, net	122,892,648	122,454,649	-	-	122,454,649
Bank owned life insurance	1,615,394	1,615,394	1,615,394	-	-
Accrued interest receivable	477,442	477,442	477,442	-	-
Financial liabilities:					
Deposits	136,477,252	135,335,343	63,496,794	-	71,838,549
FHLB advances	6,000,000	6,000,000	-	-	6,000,000
Accrued interest payable	153,059	153,059	153,059	-	-

NOTE 18 – EARNINGS PER COMMON SHARE

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

	2019	2018
Basic and Diluted		
Net income	$ **819,220**	$ 1,143,204
Weighted average common shares outstanding	**1,665,667**	1,665,667
Basic and Diluted earnings per common share	$ **0.49**	$ 0.69

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is changes in accumulated other comprehensive gain/(loss) by component, net of tax, for the years ended December 31, 2019:

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
December 31, 2019			
Beginning balance	$ (224,651)	$ (54,352)	$ (279,003)
Other comprehensive income before reclassification	460,144	-	460,144
Amounts reclassified from accumulated other comprehensive gain	(18,208)	5,688	(12,520)
Net current period other comprehensive income	441,936	5,688	447,624
Ending balance	$ 217,285	$ (48,664)	$ 168,621

NOTE 19 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (continued)

The following is changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2018:

	Unrealized Gains and Losses on Available-for-Sale Securities	Prior Service Cost on Supplemental Retirement Plan	Total
December 31, 2018			
Beginning balance	$ (54,270)	$ (60,040)	$ (114,310)
Other comprehensive loss before reclassification	(172,110)	-	(172,110)
Amounts reclassified from accumulated other comprehensive loss	1,729	5,688	7,417
Net current period other comprehensive (loss)	(170,381)	5,688	(164,693)
Ending balance	$ (224,651)	$ (54,352)	$ (279,003)

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, 2019 and 2018:

	December 31, 2019	December 31, 2018
Net gain on securities available for sale	**$ 23,048**	$ (2,189)
Income tax expense	**(4,840)**	460
Reclassified amount, net of tax	**$ 18,208**	$ (1,729)
Prior service cost on supplemental retirement plan (recorded in salaries and employee benefits)	**$ (7,200)**	$ (7,200)
Income tax benefit	**1,512**	1,512
Reclassified amount, net of tax	**$ (5,688)**	$ (5,688)

SHAREHOLDER INFORMATION

Headquarters – Clarion
333 W. Main Street
Clarion, PA 16214
Telephone (814) 226-6000
Fax (814) 226-4882

New Bethlehem Office
308 Broad Street
New Bethlehem, PA 16242
Telephone (814) 275-1806
Fax (814) 275-1050

Rimersburg Office
592 Main Street
Rimersburg, PA 16248
Telephone (814) 473-3000
Fax (814) 473-3500

Franklin Office
1272 Elk Street
Franklin, PA 16323
Telephone (814) 437-1000

website: www.clarionbank.com

Stock Listing

Clarion County Community Bank's Common Stock is traded on the over-the counter market under the symbol "CCYY".

Auditors

S.R. Snodgrass P.C.
2009 Mackenzie Way
Suite 340
Cranberry Township, PA 16066

Counsel

Stevens & Lee
A Professional Corporation
111 North Sixth Street
Reading, PA 19601

Board of Directors

William E. Hager, III, Chairman – Attorney in private practice

J. Todd Bish - Licensed chiropractor owning and operating Bish Chiropractic Center

Susanne A. Burns - Pennsylvania-certified real estate appraiser for Burns & Burns Associates, Inc. and licensed real estate broker

J. Fred Cherico - President and Chief Operating Officer of Computer Support Associates, a designer and manager of computer networks

Rodney R. Flick – Chief Executive Officer and Secretary of C.B.F. Contracting, Inc., a commercial and industrial construction company

H. Jerome Heffner – Retired past President of Heffner Brothers Co. and past partner in Heffner Brothers Partnership, gasoline and fuel oil distributors

Stephen J. Jaworski – Dentist in private practice

James L. Kifer - President, Chief Executive Officer and Chief Financial Officer of the Bank

Don D. Lewis - Chief Executive Officer of Structural Modulars, Inc., a manufacturer of residential and commercial modular structures

Mark V. Neiswonger – Chief Operating Officer and 50% owner of Falcon Settlement, Inc., a title abstract company. Retired insurance agent and past owner and operator of the Neiswonger Insurance Agency Inc.

Thomas B. Ray - President of Thomas G. Ray, Inc. and Avonelle, Inc., companies engaged in the supermarket business

Richard A. Shirey - Owner of Shirey Farms dairy farm and ECM Exploration, a natural gas production company

Executive Officers

James L. Kifer

President, Chief Executive Officer and Chief Financial Officer

Michael Fornof

Executive Vice President and Chief Credit Officer

Registrar and Transfer Agent

Shareholders who wish to change the name, address or ownership of stock, report lost stock certificates, or consolidate stock accounts should contact:

Philadelphia Stock Transfer, Inc.
2320 Haverford Road
Suite 230
Ardmore, Pennsylvania 19003
Telephone (866)-223-0448

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Corporate Office: 333 W. Main Street, Clarion, Pennsylvania 16214 - (814) 226-6000
New Bethlehem Office: 308 Broad Street, New Bethlehem, Pennsylvania 16242 - (814) 275-1806
Rimersburg Office: 592 Main Street, Rimersburg, Pennsylvania 16248 – (814) 473-3000
Franklin Office: 1272 Elk Street, Franklin, Pennsylvania 16323 – (814) 437-1000