March 18, 2022

To Our Stockholders:

The sole order of business at this year's annual shareholder meeting is the election of Directors. The Board of Directors would appreciate your vote for the Directors listed on the proxy. If you have questions or concerns, please let us know.

2021 was another successful year for Summit Bancshares, Ltd. and the First National Bank in Olney. This would not have been possible without the dedication of our Shareholders, Directors, and Employees. Thanks to all of you.

The enclosed annual report will summarize the financial position of Summit Bancshares, Ltd. and its wholly owned subsidiary, the First National Bank in Olney. Income for the year was $3,811,000. At the end of the year our loan portfolio was $223,582,000, which was down from the 2020 balance of $225,853,000. Deposits increased from $328,385,000 to $363,623,000 at the end of 2021, and total assets rose to $423,669,000. As a shareholder, you can impact growth in a positive way by maintaining a deposit or loan relationship with the bank. Doing business with the organization that you invest in helps make it stronger.

In March of 2021 we reported to you that we had worked our way through the design stage of the new branch in Newton Illinois, and it was under construction. The new branch was opened on July 27, 2021. We had a ribbon cutting on August 11th and an open house on August 20th.

As always, your thoughts, concerns and suggestions are very important to us. If you have comments or suggestions, please feel free to call (618) 393-8207, stop by or e-mail bpeters@fnbolney.com.

Sincerely,
SUMMIT BANCSHARES, LTD.

Bruce A. Peters
President and CEO

Brad E. Harmon
Chairman of the Board of Directors

P.O. BOX 100 • OLNEY, IL 62450 • (618) 395-8541 • FAX (618) 393-8204

Summit Bancshares, Ltd. and First National Bank in Olney
Board of Directors

Brad E. Harmon has served as a Director of Summit Bancshares, Ltd. and First National Bank in Olney since 2002, and currently serves as Chairman of the Board for both Summit Bancshares, Ltd. and First National Bank in Olney. Mr. Harmon has been a Registered Pharmacist since graduating from Butler University in 1980. He is President and co-owner of Harmon's Drug Store, Inc. with locations in Oblong and Palestine Illinois. Brad is active in promoting small business in Crawford County.

Julie M. Hearring joined the Board of Directors of Summit Bancshares, Ltd. and First National Bank in Olney in July 2016. Mrs. Hearring is an independent insurance agent who joined her father, Don Blank, at Blank's Insurance Agency in Olney, in September of 1977. She purchased the agency in 2003. She works on many state and national insurance association boards and committees, and is a Certified Insurance Counselor. Julie is active at St. Joseph's Catholic Church, the Olney Rotary Club, past Richland Memorial Hospital Foundation member, past board member of the Richland County CEO Program, and currently serves as a Richland County CEO Committee member.

James A. Knollenberg has served as Director of Summit Bancshares, Ltd. and First National Bank in Olney since 2002. Mr. Knollenberg is President of K & K Grain Farms, Inc. in Crawford County. Currently Jim serves on the Lincoln Trail College Foundation Board, and does live radio broadcasting of the college's men's home basketball games. He previously served as Chairman of the Crawford County Soil and Water Conservation District for 20 years, was a founding member of the Oblong Schools Academic Foundation, served as Superintendent of the Crawford County Fair, finance committee of Central United Methodist Church in Oblong, past Director of Rich-Law Service Company, and coached basketball at the Oblong Grade School.

Michael A. McKinney joined the Board of Directors of Summit Bancshares, Ltd. and First National Bank in Olney in November 2015. Mr. McKinney is Chairman and co-owner of A.M. Transport Services, Inc. in Olney, Illinois. Michael is active in the Richland County communities, serving on the Richland County Development Corporation Board of Directors, and in the past has served on the board of directors for the Richland County Recreation Council, Richland County CEO, and the Richland County Chamber of Commerce. He is a lifelong parishioner of St. Joseph Catholic Church, has served on the Parish Council, and volunteers regularly at St. Joseph School.

Jason A. Mosbey joined the Board of Directors of First National Bank in Olney and Summit Bancshares, Ltd. in May 2020. Jason is the owner of Mosbey Seed Sales, LLC and holds an insurance producer license in both Illinois and Indiana specializing in crop insurance. Mr. Mosbey is also the co-owner of Mosbey Farms, Inc. where he continues to work with his family on their farm. Jason is a member of Mt. Gilead Church, volunteers for various youth programs, as well as acting sponsor to numerous non-profit organizations and youth programs in Richland and surrounding counties.

Kevin G. Ochs is the Secretary of Summit Bancshares, Ltd. and the Executive Vice President and CFO of First National Bank in Olney. He joined the Board of Directors in 2007 and has served as Board Secretary since 1998. Mr. Ochs began his career in banking at First National Bank in Olney in 1992. He also raises cattle with his son. Kevin is Treasurer of the Wabash Valley Angus Association, a member of St. Joseph Catholic Church, and past member of St. Joseph Parish Finance Council.

Bruce A. Peters is President and CEO of Summit Bancshares, Ltd. and First National Bank in Olney, serving as a Director since 2007. Mr. Peters has been an employee of First National Bank in Olney for 41 years. Bruce is active in the Richland County communities, serving as Chairman of the Richland County Development Corporation Board of Directors, member of the Olney Central College Foundation Board, past Director of the Richland Memorial Hospital Board, member of the Trinity Lutheran Church, where he currently serves on the Audit Committee, member of the Illinois Area 23 Local Workforce Investment Board, and was a founding board member of the Richland County CEO Program.

Craig O. Weber joined the Board of Directors of Summit Bancshares, Ltd. and First National Bank in Olney in July 2014. Mr. Weber is an attorney and a partner in the Weber, Heap, Ayres & Greene, P.C. law firm with locations in Robinson, Newton and Oblong, Illinois. Craig is active in the Crawford and Jasper County communities, serving as a member and past President of the Crawford County Bar Association, member of Newton Rotary Club, Board member of United Way of Crawford County, past Director of Crawford County Habitat for Humanity, and member of St. Elizabeth's Catholic Church in Robinson where he formerly served on the Pastoral Council.

Summit Bancshares, Ltd.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2021 and 2020

BKD

CPAs & Advisors

Summit Bancshares, Ltd.
December 31, 2021 and 2020

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Summit Bancshares, Ltd.
Olney, Illinois

Opinion

We have audited the consolidated financial statements of Summit Bancshares, Ltd., which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Summit Bancshares, Ltd. 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 Consolidated Financial Statements" section of our report. We are required to be independent of Summit Bancshares, Ltd. 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 Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Summit Bancshares, Ltd.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Summit Bancshares, Ltd.'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.

BKD, LLP

Evansville, Indiana
March 14, 2022

Summit Bancshares, Ltd.

Consolidated Balance Sheets
December 31, 2021 and 2020
(Amounts in Thousands, Except for Share Data)

Assets

	2021	2020
Cash and due from banks	$ 44,388	$ 23,560
Interest-bearing time deposits	4,216	4,711
Available-for-sale debt securities	135,135	120,443
Held-to-maturity debt securities	5,490	4,059
Loans, net of allowance for loan losses of $2,566 and $2,902 at December 31, 2021 and 2020	221,646	223,542
Premises and equipment, net	3,983	3,032
Federal Reserve Bank and Federal Home Loan Bank stock	497	497
Interest receivable	2,514	2,794
Goodwill	4,634	4,634
Other assets	1,166	955
Total assets	$ 423,669	$ 388,227

Liabilities and Stockholders' Equity

	2021	2020
Liabilities		
Deposits		
Demand	$ 91,343	$ 76,364
Savings, NOW and money market	212,053	180,261
Time	60,227	71,760
Total deposits	363,623	328,385
Federal Home Loan Bank advances	6,652	5,432
Short-term borrowings	1,722	2,069
Deferred income taxes, net	2,437	2,954
Interest payable and other liabilities	698	1,169
Total liabilities	375,132	340,009
Stockholders' Equity		
Common stock, $0.83 par value; authorized 3,000,000 shares; 2,299,471 issued and 2,285,134 outstanding at December 31, 2021 and 2020	1,923	1,923
Additional paid-in capital	15,845	15,845
Retained earnings	29,201	27,195
Accumulated other comprehensive income	1,739	3,426
Treasury stock, at cost, 2021 and 2020 – 14,337 shares	(171)	(171)
Total stockholders' equity	48,537	48,218
Total liabilities and stockholders' equity	$ 423,669	$ 388,227

Summit Bancshares, Ltd.
Consolidated Statements of Income
Years Ended December 31, 2021 and 2020
(Amounts in Thousands, Except for Share Data)

	2021	2020
Interest Income		
Loans, including fees	$ 9,972	$ 10,242
Debt securities	2,276	2,187
Federal funds sold	-	3
Deposits with financial institutions	157	218
Total interest income	12,405	12,650
Interest Expense		
Deposits	1,387	2,099
Federal Home Loan Bank advances and other borrowings	35	26
Total interest expense	1,422	2,125
Net Interest Income	10,983	10,525
Provision for Loan Losses	100	235
Net Interest Income After Provision for Loan Losses	10,883	10,290
Noninterest Income		
Fiduciary activities	337	308
Loan servicing fees	112	93
Service charges and fees	1,202	1,097
Net gains on loan sales	250	496
Net realized gains on sales of available-for-sale debt securities	39	993
Other	425	359
Total noninterest income	2,365	3,346
Noninterest Expense		
Salaries and employee benefits	4,884	5,056
Net occupancy and equipment expense	1,114	995
Data processing	426	356
Professional fees	183	125
Marketing	186	185
Printing and office supplies	195	186
Deposit insurance premiums	107	61
Other	1,017	848
Total noninterest expense	8,112	7,812

Summit Bancshares, Ltd.
Consolidated Statements of Income (Continued)
Years Ended December 31, 2021 and 2020
(Amounts in Thousands, Except for Share Data)

	2021	2020
Income Before Income Tax	$ 5,136	$ 5,824
Provision for Income Taxes	1,325	1,534
Net Income	$ 3,811	$ 4,290
Earnings per Share	$ 1.67	$ 1.88

Summit Bancshares, Ltd.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020
(Amounts in Thousands)

	2021	2020
Net Income	$ 3,811	$ 4,290
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale debt securities, net of tax (benefit) of $(660) and $1,315 for 2021 and 2020	(1,659)	3,299
Less reclassification adjustment for realized gains included in net income, net of tax of $11 and $283 for 2021 and 2020	28	710
	(1,687)	2,589
Comprehensive Income	$ 2,124	$ 6,879

Summit Bancshares, Ltd.

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2021 and 2020
(Amounts in Thousands, Except for Share Data)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Capital	Earnings	Income	Stock	Total
Balance, January 1, 2020	2,285,134	$ 1,923	$ 15,845	$ 25,007	$ 837	$ (171)	$ 43,441
Net income	-	-	-	4,290	-	-	4,290
Dividends on common stock, $0.92 per share	-	-	-	(2,102)	-	-	(2,102)
Other comprehensive income	-	-	-	-	2,589	-	2,589
Balance, December 31, 2020	2,285,134	1,923	15,845	27,195	3,426	(171)	48,218
Net income	-	-	-	3,811	-	-	3,811
Dividends on common stock, $0.79 per share	-	-	-	(1,805)	-	-	(1,805)
Other comprehensive loss	-	-	-	-	(1,687)	-	(1,687)
Balance, December 31, 2021	2,285,134	$ 1,923	$ 15,845	$ 29,201	$ 1,739	$ (171)	$ 48,537

Summit Bancshares, Ltd.
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(Amounts in Thousands)

	2021	2020
Operating Activities		
Net income	$ 3,811	$ 4,290
Items not requiring (providing) cash		
Depreciation	314	287
Provision for loan losses	100	235
Amortization of premiums and discounts on securities	1,074	561
Deferred income taxes	155	(104)
Write-down of other real estate owned	-	39
(Gain) Loss on sale of other real estate owned	25	(5)
Net realized gains on securities	(39)	(993)
Net gains on loan sales	(250)	(496)
Loss on sale and disposal of premises and equipment	3	8
Changes in		
Loans held for sale	250	708
Interest receivable and other assets	34	188
Interest payable and other liabilities	(472)	(262)
Net cash provided by operating activities	5,005	4,456
Investing Activities		
Net change in interest-bearing time deposits	495	1
Purchases of available-for-sale securities	(50,317)	(69,891)
Purchases of held-to-maturity securities	(2,500)	-
Proceeds from maturities, calls and pay-downs of available-for-sale securities	15,848	19,626
Proceeds from maturities of held-to-maturity securities	1,066	868
Proceeds from the sales of available-for-sale securities	16,387	15,689
Net change in loans	1,672	4,980
Purchase of premises and equipment	(1,268)	(597)
Proceeds from the sale of other real estate owned	134	73
Net cash used in investing activities	(18,483)	(29,251)
Financing Activities		
Net change in demand deposits, money market, NOW and savings accounts	46,771	41,086
Net change in time deposits	(11,533)	(8,853)
Net change in short-term borrowings	(347)	(269)
Dividends paid	(1,805)	(2,102)
Proceeds from Federal Home Loan Bank advances	5,337	5,432
Repayment of Federal Home Loan Bank advances	(4,117)	-
Net cash provided by financing activities	34,306	35,294

Summit Bancshares, Ltd.
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020
(Amounts in Thousands)

	2021	2020
Increase in Cash and Cash Equivalents	$ 20,828	$ 10,499
Cash and Cash Equivalents, Beginning of Year	23,560	13,061
Cash and Cash Equivalents, End of Year	$ 44,388	$ 23,560
Supplemental Cash Flows Information		
Interest paid	$ 1,468	$ 2,155
Income taxes paid, net of refunds	$ 1,509	$ 1,817
Real estate acquired in settlement of loans	$ 651	$ 95
Sale and financing of other real estate owned	$ 527	$ -

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Summit Bancshares, Ltd. (Company) is a bank holding company the principal activity of which is the ownership and management of its wholly owned subsidiary, First National Bank in Olney (Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Richland, Crawford, Clay and Jasper Counties in Illinois. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2021, the Company’s cash accounts exceeded federally insured limits by approximately $39,264,000, consisting mostly of cash held at the Federal Reserve Bank of St. Louis.

Debt Securities

Debt securities held by the Company generally are classified and recorded in the consolidated financial statements as follows:

Classified as	Description	Recorded at
Held to maturity (HTM)	Certain debt securities that management has the positive intent and ability to hold to maturity	Amortized cost
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in earnings
Available for sale (AFS)	Securities not classified as HTM or trading	Fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

When the fair value of securities is below the amortized cost, the Company's accounting treatment for an other-than-temporary impairment (OTTI) is as follows:

	Accounting Treatment for OTTI Components	
Circumstances of Impairment Considerations	Credit Component	Remaining Portion
Not intended for sale and more likely than not that the Company will not have to sell before recovery of cost basis	Recognized in earnings	Recognized in other comprehensive income
Intended for sale or more likely than not that the Company will be required to sell before recovery of cost basis	Recognized in earnings	

For held-to-maturity debt securities, the amount of OTTI recorded in other comprehensive income for the noncredit portion of a previous OTTI is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

When a credit loss component is separately recognized in earnings, the amount is identified as the total of principal cash flows not expected to be received over the remaining term of the security, as projected based on cash flow projections.

As of December 31, 2021 and 2020, the Company has no securities in which it believes there are components of other-than-temporary impairment.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well secured and in process of collection. Past due status is based on 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.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these 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.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. 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.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established if discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss as determined by the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable 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. 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 of the circumstances surrounding the loan and the borrower, including the length of the delay, reasons for the delay, borrower's prior payment record and amount of the shortfall in relation to the principal and interest owed. Large loans are measured for impairment on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (Accounting Standards Codification (ASC) 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using either the fair value or the amortization method. The Company has elected to initially and subsequently measure the mortgage servicing rights for consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

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. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Servicing fee 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. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35–40 years
Furniture and fixtures	3–7 years

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Federal Reserve and Federal Home Loan Bank Stock

Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) stock are required investments for institutions that are members of the FRB and FHLB systems. The required investments in the common stock are based on predetermined formulas, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other noninterest income or expense.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined by the first-in, first-out (FIFO) method.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiary.

Earnings per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Treasury stock shares are not deemed outstanding for earnings per share calculations. The weighted-average number of common shares outstanding was 2,285,134 at December 31, 2021 and 2020. Diluted earnings per share reflect additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustments to income that would result from the assumed issuance. There are no potentially dilutive shares at December 31, 2021 and 2020. Therefore, dilutive earnings per share is not presented.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes (benefits). Other comprehensive income (loss) consists exclusively of unrealized appreciation (depreciation) on available-for-sale securities.

Revenue Recognition

The Company applies Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to some of its revenue. The majority of the Company's revenues come from interest income and other sources, including loans and debt securities, that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within noninterest income in the accompanying statements of income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits, interchange income, fees generated from fiduciary activities such as trust administration, and the sale of foreclosed assets. See Note 14 for additional information about the Company's revenues that are within the scope of Topic 606.

(Table Dollar Amounts in Thousands)

Reclassifications

Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 consolidated financial statement presentation. These reclassifications had no effect on net earnings.

Note 2: Debt Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Debt Securities				
December 31, 2021				
U.S. Treasuries	$ 18,666	$ 52	$ (121)	$ 18,597
U.S. Government agencies	7,766	383	-	8,149
U.S. Government sponsored enterprises mortgage-backed securities	893	-	(1)	892
State and political subdivisions	61,558	2,114	(547)	63,125
Other asset-backed – student loans	7,108	44	(10)	7,142
U.S. Government sponsored enterprises collateralized mortgage obligations	36,710	643	(123)	37,230
	$ 132,701	$ 3,236	$ (802)	$ 135,135
December 31, 2020				
U.S. Government agencies	$ 7,704	$ 818	$ -	$ 8,522
U.S. Government sponsored enterprises mortgage-backed securities	7,583	139	(43)	7,679
State and political subdivisions	49,895	2,912	(54)	52,753
Other asset-backed – student loans	9,187	51	(3)	9,235
U.S. Government sponsored enterprises collateralized mortgage obligations	41,282	1,057	(85)	42,254
	$ 115,651	$ 4,977	$ (185)	$ 120,443

(Table Dollar Amounts in Thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Debt Securities				
December 31, 2021				
State and political subdivisions	$ 2,690	$ -	$ -	$ 2,690
Corporates	2,800	-	(5)	2,795
	$ 5,490	$ -	$ (5)	$ 5,485
December 31, 2020				
State and political subdivisions	$ 3,759	$ -	-	$ 3,759
Corporates	300	-	$ -	300
	$ 4,059	$ -	$ -	$ 4,059

The amortized cost and fair value of debt securities available for sale and held to maturity at December 31, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ -	$ -	$ 1,289	$ 1,289
One to five years	9,420	9,537	1,401	1,401
Five to 10 years	30,516	31,364	1,800	1,800
After 10 years	48,054	48,970	1,000	995
	87,990	89,871	5,490	5,485
Mortgage and other asset-backed securities	44,711	45,264	-	-
Totals	$ 132,701	$ 135,135	$ 5,490	$ 5,485

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, including as collateral for short-term borrowings, approximated $71,254,000 and $65,211,000 at December 31, 2021 and 2020, respectively.

Gross gains of approximately $235,000 and $993,000 and gross losses of approximately $196,000 and $0 resulting from sales of available-for-sale securities were realized for 2021 and 2020, respectively.

(Table Dollar Amounts in Thousands)

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2021 and 2020, was approximately $50,323,000 and $24,202,000, respectively, which is approximately 37% and 20%, respectively, of the Company's available-for-sale debt security portfolio. These declines primarily resulted from recent fluctuations in market interest rates.

Management believes the declines in fair value for these securities are temporary.

The following table shows the Company's investments' gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2021 and 2020:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Debt Securities						
December 31, 2021						
U.S. Treasuries	$ 14,743	$ (121)	$ -	$ -	$ 14,743	$ (121)
U.S. Government sponsored enterprises mortgage-backed securities	-	-	892	(1)	892	(1)
State and political subdivisions	21,210	(508)	543	(39)	21,753	(547)
Other asset-backed – student loans	1,834	(10)	-	-	1,834	(10)
U.S. Government sponsored enterprises collateralized mortgage obligations	5,686	(90)	5,415	(33)	11,101	(123)
Total temporarily impaired debt securities	$ 43,473	$ (729)	$ 6,850	$ (73)	$ 50,323	$ (802)
December 31, 2020						
U.S. Government sponsored enterprises mortgage-backed securities	$ 3,732	$ (43)	$ -	$ -	$ 3,732	$ (43)
State and political subdivisions	5,516	(54)	-	-	5,516	(54)
Other asset-backed – student loans	1,516	(2)	1,994	(1)	3,510	(3)
U.S. Government sponsored enterprises collateralized mortgage obligations	9,880	(65)	1,564	(20)	11,444	(85)
Total temporarily impaired debt securities	$ 20,644	$ (164)	$ 3,558	$ (21)	$ 24,202	$ (185)

There were no held-to-maturity debt securities with material unrealized losses at December 31, 2021 and 2020.

U.S. Treasury Securities

The unrealized losses on the Company's investments in U.S. Treasury obligations were caused by interest rate fluctuations. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2021 and 2020.

U.S. Government Sponsored Enterprises Mortgage-Backed Securities and Collateralized Mortgage Obligations, and Other Asset-Backed Securities

The unrealized losses on the Company's investment in mortgage-backed and other asset-backed securities were caused by changes in interest rates. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2021 and 2020.

State and Political Subdivisions

The unrealized losses on the Company's investments in securities of state and political subdivisions were caused by changes in interest rates. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2021 and 2020.

(Table Dollar Amounts in Thousands)

Note 3: Loans and Allowance for Loan Losses

Classes of loans at December 31, 2021 and 2020, include:

	2021	2020
Construction and land development	$ 3,710	$ 3,058
Real estate		
Residential	49,699	51,251
Commercial	17,406	23,188
Agricultural	82,618	84,002
Other	4,742	3,292
Commercial		
Agricultural	32,691	33,655
Industrial	23,697	17,386
Consumer	8,662	9,616
Other loans	357	405
	223,582	225,853
Add net deferred loan costs	630	591
Less allowance for loan losses	2,566	2,902
Net loans	$ 221,646	$ 223,542

(Table Dollar Amounts in Thousands)

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

	2021				
	Construction and Land Development	Real Estate			
		Residential	Commercial	Agricultural	Other
Allowance for Loan Losses					
Balance, beginning of year	$ 21	$ 772	$ 858	$ 312	$ 10
Provision (credit) charged to expense	13	411	(112)	(130)	90
Losses charged off	-	(257)	(94)	-	(69)
Recoveries	-	1	-	-	-
Balance, end of year	$ 34	$ 927	$ 652	$ 182	$ 31
Ending balance Individually evaluated for impairment	$ -	$ 29	$ 158	$ -	$ -
Ending balance Collectively evaluated for impairment	$ 34	$ 898	$ 494	$ 182	$ 31
Loans					
Ending balance	$ 3,710	$ 49,699	$ 17,406	$ 82,618	$ 4,742
Ending balance Individually evaluated for impairment	$ -	$ 1,168	$ 1,425	$ 1,149	$ 31
Ending balance Collectively evaluated for impairment	$ 3,710	$ 48,531	$ 15,981	$ 81,469	$ 4,711

	Commercial				
	Agricultural	Industrial	Consumer	Other Loans	Total
Allowance for Loan Losses					
Balance, beginning of year	$ 264	$ 392	$ 255	$ 18	$ 2,902
Provision (credit) charged to expense	(192)	41	(54)	33	100
Losses charged off	-	(5)	(5)	(55)	(485)
Recoveries	-	14	4	30	49
Balance, end of year	$ 72	$ 442	$ 200	$ 26	$ 2,566
Ending balance Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 187
Ending balance Collectively evaluated for impairment	$ 72	$ 442	$ 200	$ 26	$ 2,379
Loans					
Ending balance	$ 32,691	$ 23,697	$ 8,662	$ 357	$ 223,582
Ending balance Individually evaluated for impairment	$ 187	$ 231	$ -	$ -	$ 4,191
Ending balance Collectively evaluated for impairment	$ 32,504	$ 23,466	$ 8,662	$ 357	$ 219,391

(Table Dollar Amounts in Thousands)

	2020				
	Construction and Land Development	Real Estate			
		Residential	Commercial	Agricultural	Other
Allowance for Loan Losses					
Balance, beginning of year	$ 14	$ 474	$ 878	$ 470	$ -
Provision (credit) charged to expense	7	315	5	(158)	10
Losses charged off	-	(17)	(25)	-	-
Recoveries	-	-	-	-	-
Balance, end of year	$ 21	$ 772	$ 858	$ 312	$ 10
Ending balance Individually evaluated for impairment	$ -	$ 178	$ 198	$ -	$ 5
Ending balance Collectively evaluated for impairment	$ 21	$ 594	$ 660	$ 312	$ 5
Loans					
Ending balance	$ 3,058	$ 51,251	$ 23,188	$ 84,002	$ 3,292
Ending balance Individually evaluated for impairment	$ 3	$ 1,029	$ 1,196	$ 1,037	$ 96
Ending balance Collectively evaluated for impairment	$ 3,055	$ 50,222	$ 21,992	$ 82,965	$ 3,196

	Commercial				
	Agricultural	Industrial	Consumer	Other Loans	Total
Allowance for Loan Losses					
Balance, beginning of year	$ 379	$ 274	$ 244	$ 34	$ 2,767
Provision (credit) charged to expense	(115)	141	15	15	235
Losses charged off	-	(25)	(13)	(71)	(151)
Recoveries	-	2	9	40	51
Balance, end of year	$ 264	$ 392	$ 255	$ 18	$ 2,902
Ending balance Individually evaluated for impairment	$ -	$ 93	$ -	$ -	$ 474
Ending balance Collectively evaluated for impairment	$ 264	$ 299	$ 255	$ 18	$ 2,428
Loans					
Ending balance	$ 33,655	$ 17,386	$ 9,616	$ 405	$ 225,853
Ending balance Individually evaluated for impairment	$ 187	$ 409	$ -	$ -	$ 3,957
Ending balance Collectively evaluated for impairment	$ 33,468	$ 16,977	$ 9,616	$ 405	$ 221,896

Internal Risk Categories

Loan grades are lettered A through H. Grades A through D are considered pass grades. The grade of E, or Other Assets Especially Mentioned, represents loans of lower quality and is considered criticized. The grades of F, or Substandard, and G, or Doubtful, refer to assets that are classified. The use and application of these grades by the Bank will be uniform and shall conform to the Bank's policy.

Excellent (A) – Excellent financial condition and debt service capacity. Sound documented source of repayment.

Good (B) – Strong financial condition and debt service capacity. Sound documented source of repayment.

Satisfactory (C) – Satisfactory financial condition and debt service. Performing as agreed. Financial profile and trends warrant monitoring. Vulnerable to changing economic or industry conditions.

Acceptable (Watch) (D) – Strained cash flow may cause some slowness. Increasing leverage. Declining earnings. Adverse economic conditions may negatively impact.

Other Assets Especially Mentioned/Special Mention (E) – Warning – Transitional grade. Potential weakness that may inadequately protect the Bank's credit position. Adverse economic or market conditions may negatively impact.

Substandard (F) – Well-defined weaknesses that jeopardize orderly reduction of debts. Inadequately protected by the sound worth or paying capacity of the obligor or collateral pledged.

Doubtful (G) – All weaknesses inherent to grade F with the added characteristic that weaknesses make collection or liquidation in full, based on current fact, conditions and values, highly improbable.

Loss (H) – Loans considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

Risk characteristics applicable to each segment of the loan portfolio are described as follows.

Residential 1–4 Family Real Estate: The residential 1–4 family real estate loans are generally secured by owner-occupied 1–4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial Real Estate: Commercial real estate loans typically involve larger principal amounts and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Agricultural and Agricultural Real Estate: Agricultural and agricultural real estate loans are primarily for annual operating lines and land acquisition. Agricultural loans are dependent on the condition of the farming industry, including productivity, yields and market pricing for farm products at the time of sale. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers to evaluate cash flow sufficiency to service debt.

Construction and Land Development Real Estate: Construction and land development real estate loans are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Commercial: The commercial portfolio includes loans to commercial and individual customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Consumer: The consumer loan portfolio consists of various term and line-of-credit loans, such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

(Table Dollar Amounts in Thousands)

The following tables present the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity as of December 31, 2021 and 2020:

2021

	Construction and Land Development	Real Estate Residential	Real Estate Commercial	Real Estate Agricultural	Real Estate Other
Pass (A-D)	$ 3,710	$ 47,789	$ 15,311	$ 81,273	$ 4,711
Special Mention (E)	-	379	373	299	-
Substandard (F)	-	1,531	1,144	1,046	31
Doubtful (G)	-	-	578	-	-
Total	$ 3,710	$ 49,699	$ 17,406	$ 82,618	$ 4,742

	Commercial Agricultural	Commercial Industrial	Consumer	Other Loans	Total
Pass (A-D)	$ 32,265	$ 22,426	$ 8,652	$ 357	$ 216,494
Special Mention (E)	204	432	10	-	1,697
Substandard (F)	222	839	-	-	4,813
Doubtful (G)	-	-	-	-	578
Total	$ 32,691	$ 23,697	$ 8,662	$ 357	$ 223,582

2020

	Construction and Land Development	Real Estate Residential	Real Estate Commercial	Real Estate Agricultural	Real Estate Other
Pass (A-D)	$ 3,058	$ 49,125	$ 20,763	$ 80,724	$ 3,196
Special Mention (E)	-	177	748	539	-
Substandard (F)	-	1,949	1,484	2,739	96
Doubtful (G)	-	-	193	-	-
Total	$ 3,058	$ 51,251	$ 23,188	$ 84,002	$ 3,292

	Commercial Agricultural	Commercial Industrial	Consumer	Other Loans	Total
Pass (A-D)	$ 32,802	$ 15,414	$ 9,489	$ 405	$ 214,976
Special Mention (E)	375	437	76	-	2,352
Substandard (F)	478	1,535	51	-	8,332
Doubtful (G)	-	-	-	-	193
Total	$ 33,655	$ 17,386	$ 9,616	$ 405	$ 225,853

The Company evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

(Table Dollar Amounts in Thousands)

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2021 and 2020:

	2021						
	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
Construction and land development	$ 150	$ -	$ -	$ 150	$ 3,560	$ 3,710	$ -
Real estate							
Residential	927	444	225	1,596	48,103	49,699	-
Commercial	438	-	-	438	16,968	17,406	-
Agricultural	46	45	107	198	82,420	82,618	-
Other	-	-	31	31	4,711	4,742	-
Commercial							
Agricultural	162	-	-	162	32,529	32,691	-
Industrial	123	-	-	123	23,574	23,697	-
Consumer	14	10	-	24	8,638	8,662	-
Other loans	-	-	-	-	357	357	-
Total	$ 1,860	$ 499	$ 363	$ 2,722	$ 220,860	$ 223,582	$ -

	2020						
	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
Construction and land development	$ -	$ -	$ -	$ -	$ 3,058	$ 3,058	$ -
Real estate							
Residential	1,230	146	338	1,714	49,537	51,251	-
Commercial	610	-	-	610	22,578	23,188	-
Agricultural	270	23	12	305	83,697	84,002	-
Other	-	-	-	-	3,292	3,292	-
Commercial							
Agricultural	150	-	-	150	33,505	33,655	-
Industrial	-	-	-	-	17,386	17,386	-
Consumer	82	22	-	104	9,512	9,616	-
Other loans	-	-	-	-	405	405	-
Total	$ 2,342	$ 191	$ 350	$ 2,883	$ 222,970	$ 225,853	$ -

(Table Dollar Amounts in Thousands)

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans, but also include loans modified in troubled debt restructurings.

The following tables present impaired loans for the years ended December 31, 2021 and 2020:

	2021					
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Cash Basis Interest Recognized
Loans without a specific valuation allowance						
Real estate						
Residential	$ 712	$ 712	$ -	$ 879	$ 9	$ 9
Commercial	916	916	-	990	40	40
Agricultural	1,149	1,149	-	1,158	12	21
Other	31	31	-	69	-	-
Commercial						
Agricultural	187	187	-	187	11	14
Industrial	231	231	-	239	14	13
Loans with a specific valuation allowance						
Real estate						
Residential	$ 456	$ 456	$ 29	$ 456	$ 13	$ 16
Commercial	509	509	158	522	(1)	-
Agricultural	-	-	-	-	-	-
Other	-	-	-	-	-	-
Commercial						
Agricultural	-	-	-	-	-	-
Industrial	-	-	-	-	-	-
Total						
Real estate						
Residential	$ 1,168	$ 1,168	$ 29	$ 1,335	$ 22	$ 25
Commercial	1,425	1,425	158	1,512	39	40
Agricultural	1,149	1,149	-	1,158	12	21
Other	31	31	-	69	-	-
Commercial						
Agricultural	187	187	-	187	11	14
Industrial	231	231	-	239	14	13
Total	$ 4,191	$ 4,191	$ 187	$ 4,500	$ 98	$ 113

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(Table Dollar Amounts in Thousands)

	2020					
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Cash Basis Interest Recognized
Loans without a specific valuation allowance						
Construction and land development	$ 3	$ 3	$ -	$ 3	$ -	$ -
Real estate						
Residential	243	243	-	238	2	2
Commercial	648	648	-	725	23	24
Agricultural	1,037	1,037	-	1,427	20	15
Other	-	-	-	-	-	-
Commercial						
Agricultural	187	187	-	177	10	7
Industrial	249	249	-	255	15	15
Loans with a specific valuation allowance						
Construction and land development	$ -	$ -	$ -	$ -	$ -	$ -
Real estate						
Residential	786	786	178	767	35	33
Commercial	548	548	198	552	-	-
Agricultural	-	-	-	-	-	-
Other	96	96	5	97	1	1
Commercial						
Agricultural	-	-	-	-	-	-
Industrial	160	160	93	161	1	2
Total						
Construction and land development	$ 3	$ 3	$ -	$ 3	$ -	$ -
Real estate						
Residential	1,029	1,029	178	1,005	37	35
Commercial	1,196	1,196	198	1,277	23	24
Agricultural	1,037	1,037	-	1,427	20	15
Other	96	96	5	97	1	1
Commercial						
Commercial						
Agricultural	187	187	-	177	10	7
Industrial	409	409	93	416	16	17
Total	$ 3,957	$ 3,957	$ 474	$ 4,402	$ 107	$ 99

(Table Dollar Amounts in Thousands)

The following table presents the Company's nonaccrual loans at December 31, 2021 and 2020. This table excludes purchased impaired loans and performing troubled debt restructurings.

	2021	2020
Real estate		
Residential	$ 1,012	$ 911
Commercial	908	648
Agricultural	895	787
Other	31	96
Commercial		
Industrial	-	138
Consumer	-	15
Total	$ 2,846	$ 2,595

At December 31, 2021 and 2020, the Company had a number of loans that were modified in troubled debt restructurings and impaired. The modification of terms of such loan included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan.

The following table presents information regarding troubled debt restructurings by class for the years ended December 31, 2021 and 2020.

Newly classified troubled debt restructurings:

	2021		
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Real estate			
Residential	1	$ 182	$ 182

(Table Dollar Amounts in Thousands)

	2020		
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Construction and land development	1	$ 3	$ 3
Real estate			
Residential	3	557	557
Agricultural	5	1,037	1,037
Commercial			
Agricultural	5	187	187
Industrial	1	23	23
Consumer	1	1	1
Total	16	$ 1,808	$ 1,808

The troubled debt restructurings described above were considered impaired by the Bank and had specific allocations in the December 31, 2021 and 2020, allowance for loan losses calculations totaling approximately $9,000 and $115,000, respectively. The newly classified troubled debt restructurings resulted in no charge offs during the years ended December 31, 2021 and 2020.

Newly restructured loans by type of modification:

	2021			
	Interest Only	Term	Combination	Total Modification
Real estate				
Residential	$ -	$ -	$ 182	$ 182

	2020			
	Interest Only	Term	Combination	Total Modification
Construction and land development	$ -	$ -	$ 3	$ 3
Real estate				
Residential	-	335	222	557
Agricultural	-	264	773	1,037
Commercial				
Agricultural	-	187	-	187
Industrial	-	-	23	23
Consumer	-	-	1	1
Total	$ -	$ 786	$ 1,022	$ 1,808

(Table Dollar Amounts in Thousands)

The troubled debt restructurings described above were performing pursuant to their modified terms at December 31, 2021. No troubled debt restructurings modified in the 12 months ended December 31, 2021, subsequently defaulted.

Note 4: Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage loans serviced for others were approximately $44,369,000 and $42,414,000 at December 31, 2021 and 2020, respectively. Total mortgage servicing rights were approximately $334,000 and $318,000 at December 31, 2021 and 2020, respectively. The mortgage servicing rights are included within the other assets line item of the consolidated balance sheets.

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2021	2020
Land	$ 1,035	$ 1,035
Buildings and improvements	4,530	3,456
Furniture and fixtures	3,271	3,437
	8,836	7,928
Less accumulated depreciation	4,853	4,896
Net premises and equipment	$ 3,983	$ 3,032

Note 6: Interest-Bearing Time Deposits

Interest-bearing time deposits in denominations of $250,000 or more were approximately $12,285,000 and $12,197,000 at December 31, 2021 and 2020, respectively.

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

2022	$ 30,371
2023	17,983
2024	4,934
2025	3,007
2026	3,932
	$ 60,227

(Table Dollar Amounts in Thousands)

Note 7: Short-Term Borrowings

Short-term borrowings included the following at December 31, 2021 and 2020:

	2021	2020
Securities sold under repurchase agreements	$ 1,722	$ 2,069

Securities sold under agreements to repurchase at December 31, 2021 and 2020, consist of obligations of the Company to other parties. The maximum amount of outstanding agreements at any month-end during 2021 and 2020 totaled approximately $3,661,000 and $3,617,000, respectively, and the monthly average of such agreements totaled approximately $3,204,000 and $3,173,000, respectively. The agreements at December 31, 2021, mature on an overnight and continuous basis.

Securities sold under agreements to repurchase are secured by U.S. Government agency and government sponsored enterprise (GSE) collateralized mortgage obligation securities totaling approximately $557,000 and $7,264,000, respectively, at December 31, 2021. The Company may be required to provide additional collateral securing the borrowings in the event of principal pay-downs or decreases in the market values of the pledged securities. The Company mitigates this risk by monitoring the market value and liquidity of the collateral and ensuring that it holds a sufficient level of eligible securities to cover potential increases in collateral requirements.

Note 8: Federal Home Loan Bank Advances

	2021	2020
Federal Home Loan Bank advances	$ 6,652	$ 5,432

The FHLB advances are secured by a blanket lien on residential real estate loans totaling approximately $48,461,000 at December 31, 2021 (with a collateral value assigned by FHLB of approximately $30,481,000). Certain advances, at interest from 0.00% to 1.91%, are subject to restrictions or penalties in the event of prepayment.

Aggregate annual maturities of FHLB advances at December 31, 2021 are:

2022	$ 5,139
2023	140
2024	142
2025	143
2026	145
Thereafter	943
	$ 6,652

(Table Dollar Amounts in Thousands)

Note 9: Income Taxes

The provision for income taxes includes these components:

	2021	2020
Taxes currently payable	$ 1,170	$ 1,638
Deferred income taxes	155	(104)
Income tax expense	$ 1,325	$ 1,534

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2021	2020
Federal statutory income tax at 21%	$ 1,078	$ 1,223
Increase (decrease) resulting from		
State income taxes, net of federal benefit	359	420
Tax-exempt income	(121)	(109)
Other	9	-
Actual tax expense	$ 1,325	$ 1,534

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2021	2020
Deferred tax assets		
Allowance for loan losses	$ 551	$ 646
Interest on nonaccrual loans	86	45
Deferred compensation	6	8
Total assets	643	699
Deferred tax liabilities		
Unrealized gain on available-for-sale securities	(695)	(1,366)
Depreciation	(222)	(177)
Goodwill and intangibles	(1,332)	(1,330)
Deferred loan fees	(179)	(167)
Mortgage servicing rights	(95)	(90)
Accrual to cash method adjustment	(557)	(523)
Total liabilities	(3,080)	(3,653)
Net deferred tax liability	$ (2,437)	$ (2,954)

Note 10: Accumulated Other Comprehensive Income

Accumulated other comprehensive income, as included in stockholders' equity at December 31, 2021 and 2020, consisted solely of net unrealized gains on available-for-sale debt securities in the amounts of $2,434,000 and $4,792,000, respectively, net of tax of $695,000 and $1,366,000, respectively.

Net realized gains on sales of available-for-sale debt securities within the consolidated statements of income include reclassifications from accumulated other comprehensive income of $39,000 and $993,000 for the years ended December 31, 2021 and 2020, respectively. Provision for income taxes for the years then ended includes $11,000 and $283,000, respectively, of expense resulting from accumulated other comprehensive income reclassifications for net realized gains on sales of available-for-sale debt securities.

Note 11: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated 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. generally accepted accounting principles, 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. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Effective January 1, 2020, the Bank elected to use the Community Bank Leverage Ratio (CBLR) framework. Previously, the Bank was subject to regulatory capital reforms in accordance with BASEL III.

Community Bank Leverage Ratio

Certain community banks and holding companies that satisfy certain qualifying criteria, including having less than $10 billion in average total consolidated assets and a leverage ratio (referred to as the "community bank leverage ratio") of greater than 9%, were eligible to opt-in to the CBLR framework. The CBLR ratio is the ratio of a banking organization's Tier 1 capital to its average total consolidated assets as reported on the banking organization's applicable regulatory filings. The Bank elected to utilize the CBLR framework effective for the quarter ended March 31, 2020.

(Table Dollar Amounts in Thousands)

On April 6, 2020, federal banking regulators issued two interim final rules that make changes to the CBLR ratio framework and implement certain directives of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The first of the April 2020 interim final rules reduced the minimum ratio from 9% to 8% for those banking organizations otherwise meeting the other existing qualifying criteria, as well as establishing a two-quarter grace period for qualifying community banking organizations whose leverage ratios fall below the 8% CBLR requirement, so long as the banking organization maintains a leverage ratio of 7% or greater. The second interim final rule provides a transition from the temporary 8% CBLR requirement to a 9% requirement. It establishes a minimum CBLR of 8% for the second through fourth quarters of 2020, an 8.5% minimum for 2021 and 9% thereafter, while maintaining a two-quarter grace period for qualifying community banking organizations whose leverage ratios fall no more than 100 basis points below the applicable CBLR requirement.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy required the Bank to maintain minimum amounts and ratios as set forth in the table below. Management believes, as of December 31, 2021 and 2020, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain a minimum CBLR ratio as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the tables below. The net unrealized gain or loss on available-for-sale debt securities is not included in computing the CBLR.

	Actual		Minimum Required For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
As of December 31, 2021				
Community bank leverage ratio	$ 43,332	10.36%	$ 35,541	8.50%
As of December 31, 2020				
Community bank leverage ratio	$ 41,326	10.50%	$ 31,480	8.00%

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2021, approximately $6,315,000 of retained earnings were available for dividend declaration without prior regulatory approval.

Note 12: Related-Party Transactions

At December 31, 2021 and 2020, the Company had loans outstanding to executive officers, directors, significant stockholders and their affiliates (related parties), in the amount of $2,081,000 and $2,254,000, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectibility or present other unfavorable features.

Deposits from related parties held by the Company at December 31, 2021 and 2020, totaled $8,384,000 and $7,285,000, respectively.

Note 13: Employee Benefits

The Company has a contributory 401(k) pension plan covering substantially all employees. The Company matches 40% of the employee's contribution on the first 4% of the employee's compensation. In addition, the Company may make discretionary profit-sharing contributions. For 2021 and 2020, an additional 6% of eligible employees' compensation was contributed to the 401(k) pension plan through these discretionary contributions. Employer contributions charged to expense for 2021 and 2020 were $271,000 and $272,000, respectively.

The Bank has a deferred compensation agreement with certain retired directors. The agreement provides for monthly payments based on a percentage of the director's monthly compensation at retirement. The charge to expense for the agreement was $6,000 and $12,000 for 2021 and 2020, respectively. The Bank's recorded obligation under the arrangement is $20,000 and $29,000 at December 31, 2021 and 2020, respectively, and is included in other liabilities on the consolidated balance sheets. The agreement also contains a provision that would accelerate the payments under the agreement at their fully vested amounts should there be a change in control of the Bank, as defined in the agreement.

Note 14: Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of Topic 606 is recognized within noninterest income in the accompanying statements of income.

A description of the Company's revenue streams accounted for under Topic 606 are as follows:

Service charges and fees. The Company generates revenues through fees charged to depositors related to deposit account maintenance fees, overdrafts, nonsufficient funds, ATM fees, wire transfers and additional miscellaneous services provided at the request of the depositor. For deposit-related services, revenue is recognized when performance obligations are satisfied, which is, generally, at a point in time. Interchange fees are earned primarily from debit cardholder transactions conducted through the MasterCard payment network and other networks. Interchange fees from cardholders' transactions represent a percentage of the underlying transaction value and are received and recognized daily, concurrent with the transaction processing services provided to the cardholder.

Fiduciary activities. The Company generates revenues through monthly, quarterly or annual fees charged to trust customers. Trust services include custody of assets, investment management, trust administration and similar fiduciary activities. Revenue is recognized when the Company's performance obligation is completed each month, quarter or year, which is generally at a point in time.

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 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 for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

(Table Dollar Amounts in Thousands)

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

	2021			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-Sale Debt Securities				
U.S. Treasuries	$ 18,597	$ 18,597	$ -	$ -
U.S. Government agencies	8,149	-	8,149	-
U.S. Government sponsored enterprises mortgage-backed securities	892	-	892	-
State and political subdivisions	63,125	-	63,125	-
Other asset-backed – student loans	7,142	-	7,142	-
U.S. Government sponsored enterprises collateralized mortgage obligations	37,230	-	37,230	-
Mortgage Servicing Rights	334	-	-	334

	2020			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-Sale Debt Securities				
U.S. Government agencies	$ 8,522	$ -	$ 8,522	$ -
U.S. Government sponsored enterprises mortgage-backed securities	7,679	-	7,679	-
State and political subdivisions	52,753	-	52,753	-
Other asset-backed – student loans	9,235	-	9,235	-
U.S. Government sponsored enterprises collateralized mortgage obligations	42,254	-	42,254	-
Mortgage Servicing Rights	318	-	-	318

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

Available-for-Sale Debt Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Bank had no securities measured using Level 3 inputs at December 31, 2021 and 2020.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant unobservable inputs, such as discount rate, prepayment speed and default rate. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

The increase in mortgage servicing rights resulting from recurring fair value measurements in 2021 and 2020 approximated $15,000 and $57,000, respectively.

(Table Dollar Amounts in Thousands)

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Collateral-dependent impaired loans, net of ALLL	$ 1,052	$ -	$ -	$ 1,052
December 31, 2020				
Collateral-dependent impaired loans, net of ALLL	$ 578	$ -	$ -	$ 578

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-Dependent Impaired Loans, Net of Allowance for Loan Losses

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the chief financial officer (CFO) and senior lending personnel. Appraisals are reviewed for accuracy and consistency by the CFO and senior lending personnel. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the CFO and senior lending personnel by comparison to historical results.

Unobservable (Level 3) Inputs

Company management valued collateral-dependent impaired loans on a nonrecurring basis in 2021 and 2020, considering market comparable properties, discounted for comparability adjustments and marketability discounts. These adjustments are considered unobservable inputs and ranged from approximately 20% to 55% (29% weighted average) in 2021 and approximately 20% in 2020.

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the note regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the note on commitments and credit risk. Other significant estimates and concentrations include:

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Investments

The Company invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Loan Concentrations

At December 31, 2021, the Company held approximately $32,691,000 and $82,618,000 in agriculture production and agricultural real estate loans, respectively. At December 31, 2020, the Company held approximately $33,655,000 and $84,002,000 in agriculture production and agricultural real estate loans, respectively. The agriculture industry is subject to significant economic volatility based on weather, pricing and costs associated with production, all of which can dramatically impact cash flows. Sustained depression in grain prices, as well as higher production costs, could significantly impact the repayment ability for many agricultural loan customers.

Goodwill

As discussed in Note 1, the Company annually evaluates its goodwill for impairment. As of December 31, 2021, management performed a qualitative assessment of the Company and determined that no events or circumstances existed that would lead to a determination that it is more likely than not the fair value of the reporting unit is less than the carrying amount, including goodwill. Management believes it has applied reasonable judgment in developing its assessment; however, unforeseen negative changes in the national, state or local economic environment may negatively impact certain qualitative factors in the near term.

Note 17: Commitments and Credit Risk

Commitments to Originate Loans and Lines of Credit

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

At December 31, 2021 and 2020, the Company had outstanding commitments to originate loans and lines of credit aggregating approximately $35,281,000 and $30,516,000, respectively. The commitments extended over varying periods of time, with the majority being disbursed within a one-year period. Loan commitments at fixed rates of interest amounted to approximately $18,529,000 and $16,320,000 at December 31, 2021 and 2020, respectively, with the remainder at floating market rates.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Fees for letters of credit are initially recorded by the Bank as deferred revenue and are included in earnings at the termination of the respective agreements. Should the Company be obligated to perform under the standby letters of credit, the Bank may seek recourse from the customer for reimbursement of amounts paid.

The Bank had total outstanding standby letters of credit amounting to approximately $1,087,000 and $1,391,000 at December 31, 2021 and 2020, respectively, with remaining terms at December 31, 2021, ranging from one month to one year.

Impact of COVID-19 on the Company

In March 2020, the COVID-19 coronavirus was identified as a global pandemic and began affecting the health of large populations around the world. As a result of the spread of COVID-19, economic uncertainties arose which can ultimately affect the financial position, results of operations and cash flows of the Company, as well as the Company's customers. In response to economic concerns over COVID-19, in March 2020 the CARES Act was passed into law by Congress. The CARES Act included relief for individual Americans, health care workers, small businesses and certain industries hit hard by the COVID-19 pandemic. The *Consolidated Appropriations Act, 2021*, passed by Congress in December 2020, extended certain provisions of the CARES Act affecting the Company in 2021.

The CARES Act included several provisions designed to help financial institutions like the Company in working with their customers. Section 4013 of the CARES Act, as extended, allows a financial institution to elect to suspend generally accepted accounting principles and regulatory determinations with respect to qualifying loan modifications related to COVID-19 that would otherwise be categorized as a troubled debt restructuring until January 1, 2022. The Company has taken advantage of this provision to extend certain payment modifications to loan customers in need. The Company had approximately $15,000 and $679,000 of outstanding loans that were modified under the provisions of the CARES Act and remained in deferral status as of December 31, 2021 and 2020, respectively.

Note 18: Subsequent Events

Subsequent events have been evaluated through March 14, 2022, which is the date the consolidated financial statements were available to be issued.

Note 19: Changes in Accounting Principles

Future Changes

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for consolidated income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Company is evaluating the effect the standard will have on the consolidated financial statements.

Accounting for Financial Instruments—Credit Losses

FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss model, the current expected credit loss model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing practice and may result in material changes to the Company's accounting for financial instruments. The Company is evaluating the effect ASU 2016-13 will have on its consolidated financial statements and related disclosures. The impact of the ASU will depend upon the state of the economy and the nature of our portfolios at the date of adoption. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years.

(Table Dollar Amounts in Thousands)

Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheets

	December 31 2021	December 31 2020
Assets		
Cash and due from banks	$ 96	$ 102
Investment in common stock of subsidiary	48,432	48,112
Other assets	9	4
Total assets	$ 48,537	$ 48,218
Stockholders' Equity	$ 48,537	$ 48,218

Condensed Statements of Income and Comprehensive Income

	Years Ended December 31 2021	Years Ended December 31 2020
Income – Dividends from subsidiary	$ 1,824	$ 2,144
Expenses – Other	31	32
Income Before Income Tax and Equity in Undistributed Income of Subsidiary	1,793	2,112
Income Tax Benefit	(11)	(10)
Income Before Equity in Undistributed Income of Subsidiary	1,804	2,122
Equity in Undistributed Income of Subsidiary	2,007	2,168
Net Income	$ 3,811	$ 4,290
Comprehensive Income	$ 2,124	$ 6,879

Summit Bancshares, Ltd.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020
(Table Dollar Amounts in Thousands)

Condensed Statements of Cash Flows

	Years Ended December 31	
	2021	2020
Operating Activities		
Net income	$ 3,811	$ 4,290
Item not providing cash		
Equity in undistributed income of subsidiary	(2,007)	(2,168)
Changes in other assets	(5)	3
Net cash provided by operating activities	1,799	2,125
Financing Activity – Dividends paid	(1,805)	(2,102)
Net Change in Cash and Due from Banks	(6)	23
Cash and Due from Banks, Beginning of Year	102	79
Cash and Due from Banks, End of Year	$ 96	$ 102

First National Bank in Olney

~ DIRECTORS ~

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Julie M. Hearring
James A. Knollenberg
Michael A. McKinney
Jason A. Mosbey
Kevin G. Ochs
Bruce A. Peters
Craig O. Weber

~ EMPLOYEES ~

Brittany Akers
William Alexander
Anita Atkins
Chelsea Bangert
Janice Beavers
Britney Blessing
Diana Branham
Lisa Bruner
April Bunting
Karsyn Bynum
Anita Caulfield
Emily Clark
Terri Clodfelter
Erik Cordell
Joe Davis
Cole DuSablon
Janice Ellis
Sandi Everingham
Katie Fehrenbacher
Kim Ferguson
Carrie French
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Tony Herman
Rachel Hernandez
Shawna Hill
Denita Holmes
Heath Houchin
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Kate Kaufmann
Stacy Kessler
Rhonda Kuenstler
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Curtis Miller
Todd Musgrave
Ann Muston
Kristina Newton
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