

**RIVERHILLS CAPITAL
CORPORATION AND
SUBSIDIARY**

Vicksburg, Mississippi

December 31, 2022

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Independent Auditors' Report

To the Board of Directors and Stockholders
RiverHills Capital Corporation and Subsidiary
Vicksburg, Mississippi

Opinion

We have audited the accompanying consolidated financial statements of RiverHills Capital Corporation (a Mississippi Corporation) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RiverHills Capital Corporation and Subsidiary as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 RiverHills Capital Corporation and Subsidiary's ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 RiverHills Capital Corporation and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RiverHills Capital Corporation and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Nail McKinney P.A." The signature is written in a cursive style.

Tupelo, Mississippi
February 27, 2023

Consolidated Balance Sheets

RIVERHILLS CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

	2022	2021
Assets		
Cash and due from banks:		
Noninterest-bearing	\$ 6,472,332	\$ 6,271,363
Interest-bearing	37,191,238	28,768,172
Federal funds sold	975,000	-
Cash and cash equivalents	44,638,570	35,039,535
Interest-bearing time deposits in banks	4,269,000	1,329,000
Debt securities available for sale	173,515,443	187,196,604
Debt securities held to maturity	19,402,820	9,470,000
Equity securities at fair value	870,399	1,051,468
Loans, net of allowance for loan losses	141,425,092	149,729,324
Equity securities at cost	2,393,715	2,371,715
Accrued interest receivable	2,175,483	2,193,336
Premises and equipment, net	5,960,838	6,237,737
Other investments carried at cost	407,234	460,621
Cash surrender value of life insurance	1,728,470	1,671,471
Prepaid expenses	87,771	2,307
Other assets	5,000	5,000
Total assets	\$ 396,879,835	\$ 396,758,118
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Demand	\$ 88,223,520	\$ 92,977,196
Savings, NOW and money market	155,164,746	154,597,466
Time	93,164,175	96,951,018
Total deposits	336,552,441	344,525,680
Borrowed funds	24,583,379	8,020,878
Deferred compensation	210,803	178,350
Escrow payable	164,933	135,986
Accrued interest payable	168,922	87,048
Other liabilities	240,663	820,082
Total liabilities	361,921,141	353,768,024
Stockholders' equity:		
Common stock - \$2.00 par value; 500,000 shares authorized; 428,790 shares issued	857,580	857,580
Additional paid-in capital	4,323,258	4,323,258
Retained earnings	42,569,475	39,930,405
Accumulated other comprehensive income	(9,314,304)	1,356,166
Common stock in treasury, 38,484 and 38,484 shares at cost at December 31, 2022 and 2021, respectively	(3,477,315)	(3,477,315)
Total stockholders' equity	34,958,694	42,990,094
Total liabilities and stockholders' equity	\$ 396,879,835	\$ 396,758,118

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

Consolidated Statements of Income
RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2022 and 2021

	<i>2022</i>	<i>2021</i>
Interest and dividend income:		
Loans, including fees	\$ 7,677,119	\$ 9,606,755
Debt securities	3,105,177	2,791,882
Deposits with financial institutions	549,087	52,011
Federal funds sold	7,607	-
Dividends	62,597	43,309
Total interest and dividend income	11,401,587	12,493,957
Interest expense:		
Deposits	1,216,233	1,189,022
Federal funds purchased	12	1
Other borrowed funds	155,773	411,726
Total interest expense	1,372,018	1,600,749
Net interest income	10,029,569	10,893,208
Provision for loan losses	-	330,000
Net interest income after provision for loan losses	10,029,569	10,563,208
Noninterest income:		
Service fees	1,412,025	1,266,100
Net loss on disposition of debt securities	(22,338)	(11,119)
Unrealized holding gains (losses) on equity securities	(181,068)	82,946
Impairment losses recognized	-	(60,000)
Net gain (loss) on disposition of foreclosed assets	60,173	(30,245)
Other noninterest income	772,410	2,310,469
Total noninterest income	2,041,202	3,558,151
Noninterest expenses:		
Salaries and employee benefits	4,435,972	4,543,697
Occupancy expense, net	458,621	456,161
Equipment expenses	259,878	285,332
Data processing fees	651,917	603,157
Advertising	145,053	127,486
Legal and professional	484,663	380,686
Other general and administrative	813,786	964,561
Total noninterest expenses	7,249,890	7,361,080
Net income	\$ 4,820,881	\$ 6,760,279

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

Consolidated Statements of Comprehensive Income
RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY
Years ended December 31, 2022 and 2021

	<i>2022</i>	<i>2021</i>
Net income	\$ 4,820,881	\$ 6,760,279
Other comprehensive income:		
Unrealized holding losses on available for sale debt securities	(10,692,808)	(2,702,558)
Reclassification adjustment for net losses realized in net income	22,338	6,906
Other comprehensive loss	(10,670,470)	(2,695,652)
Comprehensive income (loss)	\$ (5,849,589)	\$ 4,064,627

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

Consolidated Statements of Changes in Stockholders' Equity
RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY
Years ended December 31, 2022 and 2021

	<i>Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Retained Earnings</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Common Stock in Treasury</i>	<i>Total Stockholders' Equity</i>
Balance, January 1, 2021	\$ 106,698	\$ 5,053,787	\$36,447,627	\$ 4,051,818	\$ (3,218,235)	\$42,441,695
Net income	-	-	6,760,279	-	-	6,760,279
Other comprehensive loss	-	-	-	(2,695,652)	-	(2,695,652)
Change in par value of common stock from \$0.25 to \$2.00 per share	750,882	(750,882)	-	-	-	-
Compensation expense, long-term incentive plan	-	20,353	-	-	-	20,353
Purchase of treasury stock (1,550 shares at cost)	-	-	-	-	(259,080)	(259,080)
Distributions to shareholders	-	-	(3,277,501)	-	-	(3,277,501)
Balance, December 31, 2021	857,580	4,323,258	39,930,405	1,356,166	(3,477,315)	42,990,094
Net income	-	-	4,820,881	-	-	4,820,881
Other comprehensive loss	-	-	-	(10,670,470)	-	(10,670,470)
Distributions to shareholders for tax liabilities	-	-	(2,181,811)	-	-	(2,181,811)
Balance, December 31, 2022	<u>\$ 857,580</u>	<u>\$ 4,323,258</u>	<u>\$42,569,475</u>	<u>\$ (9,314,304)</u>	<u>\$ (3,477,315)</u>	<u>\$34,958,694</u>

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

Consolidated Statements of Cash Flows

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2022 and 2021

	<i>2022</i>	<i>2021</i>
Cash flows from operating activities:		
Net income	\$ 4,820,881	\$ 6,760,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	-	330,000
Net amortization	1,785,448	1,579,458
Depreciation of premises and equipment	315,405	309,609
Net loss on disposition of available for sale debt securities	22,338	11,119
Unrealized holding (gains) losses on equity securities	181,068	(82,946)
Impairment losses recognized	-	60,000
Net (gain) loss on disposition of foreclosed and assets	(60,173)	20,876
Stock dividend received	(22,000)	(9,700)
Net change in:		
Accrued interest receivable	17,853	187,178
Cash surrender value of life insurance	(26,999)	(27,912)
Other assets	(85,463)	27,687
Accrued interest payable and other liabilities	(465,092)	(466,895)
Net cash provided by operating activities	<u>6,483,266</u>	<u>8,698,753</u>
Cash flows from investing activities:		
Activity in available for sale securities:		
Sales	9,191,831	1,123,670
Maturities, prepayments, and calls	19,711,071	24,066,340
Purchases	(28,931,749)	(55,841,105)
Activity in held-to-maturity securities:		
Maturities, prepayments, and calls	4,503,921	868,000
Purchases	(13,204,989)	(5,125,000)
Redemption (purchase) of time deposits in bank	(2,940,000)	727,000
Loan repayments, net	8,225,678	20,812,528
Purchase of life insurance contracts	(30,000)	-
Redemption of cost basis investments	53,387	74,583
Additions to premises and equipment	(38,506)	(64,882)
Proceeds from sales of premises and equipment	-	4,626
Proceeds from sales of foreclosed and other assets	138,727	881,465
Net cash used in investing activities	<u>(3,320,629)</u>	<u>(12,472,775)</u>

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

Consolidated Statements of Cash Flows - (Continued)

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Years ended December 31, 2022 and 2021

	<i>2022</i>	<i>2021</i>
Cash flows from financing activities:		
Net increase in deposits	\$ (7,973,239)	\$ 37,139,742
Change in escrow liabilities	28,947	2,789
Proceeds from borrowings	17,500,000	-
Principal payments on borrowed funds	(937,499)	(12,331,340)
Payments to acquire treasury stock	-	(259,080)
Distributions to shareholders	(2,181,811)	(3,277,501)
Compensation expense for time-vested stock awards	-	20,353
	6,436,398	21,294,963
Change in cash and cash equivalents	9,599,035	17,520,941
Cash and cash equivalents at beginning of year	35,039,535	17,518,594
Cash and cash equivalents at end of year	\$ 44,638,570	\$ 35,039,535
Supplementary cash flow information:		
Interest paid on deposits and borrowed funds	\$ 1,290,144	\$ 1,665,406

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

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of RiverHills Capital Corporation (the Company), and its wholly owned subsidiary, RiverHills Bank (the Bank). All material intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

The Company, through its wholly owned subsidiary, RiverHills Bank, provides financial services to individuals and corporate customers through its offices located in Madison, Claiborne, and Warren counties in Mississippi. The Company is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of foreclosed assets, other-than-temporary impairment (OTTI) and fair value of financial instruments.

Significant Group Concentrations of Credit Risk

Most of the Bank's activities are with customers located in counties in which the Bank's branches are located and surrounding areas. Note 2 discusses the types of securities that the Bank invests in. Note 4 discusses the types of lending that the Bank engages in. The Bank does not have any significant concentrations to any one customer.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, demand balances due from banks and federal funds sold.

Debt Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Debt securities not classified as held to maturity are classified as "available for sale" and recorded at 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, with premiums being amortized to the next call date and discounts accreted to maturity. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Equity Securities at fair value

Equity securities with readily determinable fair values are carried at fair value with changes in fair value recognized in earnings.

Notes to Consolidated Financial Statements (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans

The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage and real estate secured loans throughout counties in which the Bank's branches are located. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. 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. Other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual 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 non-accrual or charged off is 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 earnings. Loan losses are charged against the allowance when management believes the uncollectability 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 collectability 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 specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the 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 non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. 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, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans 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.

Notes to Consolidated Financial Statements (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses (continued)

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Pursuant to the regulatory examination process, regulatory authorities can require the Bank to adjust the balance of the allowance for loan losses account to amounts deemed by those authorities to represent an adequate allowance for safety and soundness purposes. Accordingly, the allowance for loan losses represents a material estimate that is susceptible to significant change in the near term.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

First National Bankers Bankshares and Federal Home Loan Bank Stock

First National Bankers Bankshares and Federal Home Loan Bank stock are required investments for institutions that are members of those systems. The required investment in their common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets

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

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, which range from 20 to 40 years for buildings and improvements and range from 5 to 10 years for equipment.

Transfers of Financial Assets

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

Treasury Stock

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

Stock-Based Compensation

The Company is accounting for the stock and incentive compensation under the provisions of FASB ASC 718, "Compensation - Stock Compensation". Under this accounting guidance, fair value is established as the measurement objective in accounting for stock awards and requires the application of fair value based on measurement method accounting for compensation cost, which is recognized over the requisite service period.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year's presentation.

Notes to Consolidated Financial Statements (continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company and the Bank have elected to be taxed under the provisions of subchapter S of the Internal Revenue Code and related state codes. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the shareholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

On a continuing basis, management analyzes the Company's tax positions, and, when a tax position meets the measurement and recognition principles outlined in FASB ASC 740, the Company accrues a liability for unrecognized tax benefits. Any related interest and penalties associated with unrecognized tax benefits are included as a component of other non-interest expense.

The Company is subject to income tax reporting in the United States and the State of Mississippi. The Company's federal and state income tax returns are subject to examination by the taxing authorities generally for three years after they are filed. Management has evaluated the tax positions taken and has not identified any positions that are unlikely to be sustained upon examination.

Advertising

The Bank expenses advertising costs as they are incurred.

Evaluation of Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

NOTE 2. SECURITIES

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	<i>December 31, 2022</i>			<i>Fair Value</i>
	<i>Amortized Cost</i>	<i>Gross Unrealized</i>		
		<i>Gains</i>	<i>Losses</i>	
<u>Debt Securities Available-for-Sale</u>				
U.S. Government and federal agency	\$ 21,860,888	\$ 10,584	\$ (1,177,612)	\$ 20,693,860
State and municipal	146,036,443	30,805	(7,332,215)	138,735,033
Corporate	8,116,017	-	(605,282)	7,510,735
Mortgage-backed	6,816,399	-	(240,584)	6,575,815
	<u>\$ 182,829,747</u>	<u>\$ 41,389</u>	<u>\$ (9,355,693)</u>	<u>\$ 173,515,443</u>
<u>Debt Securities Held-to-Maturity:</u>				
State and municipal	\$ 9,440,676	\$ -	\$ (764,172)	\$ 8,676,504
Mortgage-backed	9,962,144	1,198	(170,408)	9,792,934
	<u>\$ 19,402,820</u>	<u>\$ 1,198</u>	<u>\$ (934,580)</u>	<u>\$ 18,469,438</u>

Notes to Consolidated Financial Statements (continued)

NOTE 2. SECURITIES (continued)

	<i>December 31, 2021</i>			
	<i>Amortized</i>	<i>Gross Unrealized</i>		<i>Fair</i>
	<i>Cost</i>	<i>Gains</i>	<i>Losses</i>	<i>Value</i>
<u>Debt Securities Available-for-Sale</u>				
U.S. Government and federal agency	\$ 14,802,580	\$ 42,404	\$ (56,264)	\$ 14,788,720
State and municipal	153,756,402	2,044,382	(620,666)	155,180,118
Corporate	6,363,563	-	(211,100)	6,152,463
Mortgage-backed	10,917,890	161,577	(4,164)	11,075,303
	<u>\$ 185,840,435</u>	<u>\$ 2,248,363</u>	<u>\$ (892,194)</u>	<u>\$ 187,196,604</u>
<u>Debt Securities Held-to-Maturity:</u>				
State and municipal	\$ 9,470,000	\$ 25,871	\$ (285,987)	\$ 9,209,884
	<u>\$ 9,470,000</u>	<u>\$ 25,871</u>	<u>\$ (285,987)</u>	<u>\$ 9,209,884</u>

At December 31, 2022 and 2021, securities with a carrying value of approximately \$62,151,575 and \$56,534,686, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2022 follows:

	<i>Available-for-Sale</i>		<i>Held-to-Maturity</i>	
	<i>Amortized</i>	<i>Fair</i>	<i>Amortized</i>	<i>Fair</i>
	<i>Cost</i>	<i>Value</i>	<i>Cost</i>	<i>Value</i>
Within 1 year	\$ 21,841,621	\$ 21,476,812	\$ 1,297,101	\$ 1,276,091
Over 1 year through 5 years	132,780,824	125,045,924	7,307,000	6,619,044
Over 5 years through 10 years	17,109,713	16,273,129	371,000	319,732
Over 10 years	4,281,190	4,143,764	465,575	461,637
	<u>176,013,348</u>	<u>166,939,629</u>	<u>9,440,676</u>	<u>8,676,504</u>
Mortgage backed securities	6,816,399	6,575,814	9,962,144	9,792,934
	<u>\$ 182,829,747</u>	<u>\$ 173,515,443</u>	<u>\$ 19,402,820</u>	<u>\$ 18,469,438</u>

	<i>Available-for-Sale</i>		<i>Held-to-Maturity</i>	
	<i>Year Ended December 31,</i>		<i>Year Ended December 31,</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Proceeds from dispositions	\$ 28,902,902	\$ 25,190,010	\$ 4,503,921	\$ 868,000
Gross gains	\$ 12,349	\$ 184	\$ -	\$ -
Gross losses	(34,687)	(11,303)	-	-
	<u>\$ (22,338)</u>	<u>\$ (11,119)</u>	<u>\$ -</u>	<u>\$ -</u>

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

Substantially all dispositions of held-to-maturity securities were maturities, paydowns, or calls, or met the conditions outlined in FASB ASC 320-10-25.

Notes to Consolidated Financial Statements (continued)

NOTE 2. SECURITIES (continued)

	<i>December 31, 2022</i>			
	<i>Less than Twelve Months</i>		<i>Over Twelve Months</i>	
	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>
<u>Debt Securities Available-for-Sale</u>				
U.S. Government and federal agency	\$ (380,478)	\$ 7,024,538	\$ (797,134)	\$ 11,914,300
State and municipal	(2,204,027)	65,298,799	(5,128,188)	69,700,460
Corporate	(67,025)	1,697,432	(538,257)	5,813,303
Mortgage-backed	(224,439)	6,269,532	(16,145)	306,283
	<u>\$ (2,875,969)</u>	<u>\$ 80,290,301</u>	<u>\$ (6,479,724)</u>	<u>\$ 87,734,346</u>
<u>Debt Securities Held-to-Maturity:</u>				
State and municipal	\$ (106,059)	\$ 2,552,617	\$ (658,113)	\$ 6,123,887
Mortgage-backed	(170,408)	5,542,532	-	-
	<u>\$ (276,467)</u>	<u>\$ 8,095,149</u>	<u>\$ (658,113)</u>	<u>\$ 6,123,887</u>
	<i>December 31, 2021</i>			
	<i>Less than Twelve Months</i>		<i>Over Twelve Months</i>	
	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>
<u>Debt Securities Available-for-Sale</u>				
U.S. Government and federal agency	\$ (56,264)	\$ 5,447,900	\$ -	\$ -
State and municipal	(533,620)	57,594,500	(87,046)	3,707,640
Corporate	(211,100)	6,152,463	-	-
Mortgage-backed	(2,028)	440,019	(2,136)	97,490
	<u>\$ (803,012)</u>	<u>\$ 69,634,882</u>	<u>\$ (89,182)</u>	<u>\$ 3,805,130</u>
<u>Debt Securities Held-to-Maturity:</u>				
State and municipal	\$ (26,157)	\$ 4,993,843	\$ (259,830)	\$ 2,740,170
	<u>\$ (26,157)</u>	<u>\$ 4,993,843</u>	<u>\$ (259,830)</u>	<u>\$ 2,740,170</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The unrealized losses on the Bank's investments 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 of the investment or, in the case of mortgage-backed securities, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment. Because the declines in market value are attributable to changes in interest rate and not credit quality, and because the Bank has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Bank does not consider those investments to be other-than-temporarily impaired.

NOTE 3. FAIR VALUE

“Fair value” is defined by FASB Accounting Standards Codification (“ASC”) 820, as 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. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of fair value

The Company uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Debt securities available-for-sale

Available-for-sale debt securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities. The Company’s available-for-sale securities that are traded on an active exchange, such as the New York Stock Exchange, are classified as Level 1. Available-for-sale securities valued using matrix pricing are classified as Level 2.

Equity securities at fair value

Equity securities with readily determinable fair values are generally traded on an active exchange, such as the New York Stock Exchange. The Company’s investments in equity securities with readily determinable fair values are classified as Level 1.

Impaired loans

Loans considered impaired under FASB ASC 310, are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company’s impaired loans are classified as Level 3.

Notes to Consolidated Financial Statements (continued)

NOTE 3. FAIR VALUE (continued)

Foreclosed assets

Foreclosed assets are carried at the lower of cost or estimated fair value, less estimated selling costs and is subjected to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals, risk-adjusted discounted cash flow analyses, and other relevant factors. All of the Company's foreclosed assets are classified as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of assets measured at fair value on a recurring basis:

	<i>December 31, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Debt securities available-for-sale	\$ -	\$ 173,515,443	\$ -	\$ 173,515,443
Marketable equity securities	870,399	-	-	870,399
	<u>\$ 870,399</u>	<u>\$ 173,515,443</u>	<u>\$ -</u>	<u>\$ 174,385,842</u>

	<i>December 31, 2021</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Debt securities available-for-sale	\$ -	\$ 187,196,604	\$ -	\$ 187,196,604
Marketable equity securities	1,051,468	-	-	1,051,468
	<u>\$ 1,051,468</u>	<u>\$ 187,196,604</u>	<u>\$ -</u>	<u>\$ 188,248,072</u>

There were no changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2022.

The Company has no liabilities measured at fair value on a recurring basis.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The following table presents the balances of assets measured at fair value on a nonrecurring basis:

	<i>December 31, 2022</i>				<i>Total Gains (Losses)</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
Impaired loans	\$ -	\$ -	\$ 1,761,720	\$ 1,761,720	\$ (14,280)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,761,720</u>	<u>\$ 1,761,720</u>	<u>\$ (14,280)</u>

	<i>December 31, 2021</i>				<i>Total Gains (Losses)</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
Impaired loans	\$ -	\$ -	\$ 1,576,390	\$ 1,576,390	\$ (16,710)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,576,390</u>	<u>\$ 1,576,390</u>	<u>\$ (16,710)</u>

The Company has no liabilities measured a fair value on a nonrecurring basis.

Notes to Consolidated Financial Statements (continued)

NOTE 4. LOANS

The Bank's loan and lease portfolio is disaggregated into the following segments: real estate; commercial (including agricultural); and consumer. A summary of gross loans and leases, by segment follows:

	<i>December 31,</i>	
	<u>2022</u>	<u>2021</u>
Real estate loans	\$ 114,603,148	\$ 117,813,561
Commercial loans	27,608,980	32,389,982
Consumer and other	<u>4,194,487</u>	<u>4,594,635</u>
Total loans	146,406,615	154,798,178
Less: Allowance for loan losses	<u>(4,981,523)</u>	<u>(5,068,854)</u>
Loans, net	<u>\$ 141,425,092</u>	<u>\$ 149,729,324</u>

The following tables provide details regarding the aging of the Bank's loan and lease portfolio, net of unearned income, by segment:

	<i>December 31, 2022</i>			
			<i>90+ Days</i>	
	<i>30-89 Days</i>	<i>Past Due</i>		
	<u><i>Past Due</i></u>	<u><i>Still Accruing</i></u>	<u><i>Nonaccrual</i></u>	<u><i>Total</i></u>
Real estate loans	\$ 2,155,108	\$ 64,875	\$ 1,233,957	\$ 3,453,940
Commercial loans	196,472	-	100,807	297,279
Consumer and other	<u>64,460</u>	<u>4,122</u>	<u>9,157</u>	<u>77,739</u>
	<u>\$ 2,416,040</u>	<u>\$ 68,997</u>	<u>\$ 1,343,921</u>	<u>\$ 3,828,958</u>

	<i>December 31, 2021</i>			
			<i>90+ Days</i>	
	<i>30-89 Days</i>	<i>Past Due</i>		
	<u><i>Past Due</i></u>	<u><i>Still Accruing</i></u>	<u><i>Nonaccrual</i></u>	<u><i>Total</i></u>
Real estate loans	\$ 1,853,741	\$ 189,824	\$ 1,244,556	\$ 3,288,121
Commercial loans	589,470	32,624	20,097	642,191
Consumer and other	<u>36,227</u>	<u>15,822</u>	<u>4,927</u>	<u>56,976</u>
	<u>\$ 2,479,438</u>	<u>\$ 238,270</u>	<u>\$ 1,269,580</u>	<u>\$ 3,987,288</u>

The Bank utilizes an internal loan classification system to grade loans according to certain quality indicators. Those quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratios. The Bank's internal loan classification system is compatible with classifications used by the Federal Deposit Insurance Corporation as well as other regulatory agencies. Loans may be classified as follows:

Pass: Loans which are performing as agreed with few or no signs of weakness. These loans show sufficient cash flow, capital and collateral to repay the loans as agreed.

Watch: Loans where potential weaknesses have developed which could cause a more serious problem if not corrected.

Substandard: Loans where well-defined weaknesses exist that require corrective action to prevent further deterioration.

Doubtful: Loans having all the characteristics of Substandard and which have deteriorated to a point where collection and liquidation in full is highly questionable.

Notes to Consolidated Financial Statements (continued)

NOTE 4. LOANS (continued)

Loss: Loans that are considered uncollectible or with limited possible recovery.

Impaired: Loans for which it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement and for which a specific impairment reserve has been considered.

The following tables provide details of the Bank's loan and lease portfolio, net of unearned income, by segment and internally assigned grade:

<i>December 31, 2022</i>							
	<i>Pass</i>	<i>Watch</i>	<i>Sub- standard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Impaired</i>	<i>Total</i>
	<i>(in thousands)</i>						
Real estate loans	\$112,450	\$ 488	\$ -	\$ -	\$ -	\$ 1,665	\$114,603
Commercial loans	27,508	-	-	-	-	101	27,609
Consumer and other	4,161	23	1	-	-	10	4,195
	<u>\$144,119</u>	<u>\$ 511</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,776</u>	<u>\$146,407</u>
<i>December 31, 2021</i>							
	<i>Pass</i>	<i>Watch</i>	<i>Sub- standard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Impaired</i>	<i>Total</i>
	<i>(in thousands)</i>						
Real estate loans	\$115,637	\$ 540	\$ 88	\$ -	\$ -	\$ 1,548	\$117,813
Commercial loans	32,346	24	-	-	-	20	32,390
Consumer and other	4,540	29	1	-	-	25	4,595
	<u>\$152,523</u>	<u>\$ 593</u>	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,593</u>	<u>\$154,798</u>

The Bank evaluates relationships graded internally as substandard, doubtful, and loss for impairment. Generally, impairment is measured as the excess of the Bank's recorded investment in the underlying loans in excess of the loan collateral, less estimated costs to sell. The following tables provide details of the Bank's impaired loans and leases, net of unearned income, by segment:

<i>December 31, 2022</i>					
	<i>Unpaid Principal Balance</i>	<i>Recorded Investment</i>	<i>Investment with no Allowance</i>	<i>Investment with Allowance</i>	<i>Related Allowance for Losses</i>
	<i>(in thousands)</i>				
Real estate loans	\$ 1,665	\$ 1,665	\$ 1,575	\$ 90	\$ 9
Commercial loans	101	101	96	5	2
Consumer and other	10	10	6	4	4
	<u>\$ 1,776</u>	<u>\$ 1,776</u>	<u>\$ 1,677</u>	<u>\$ 99</u>	<u>\$ 15</u>
<i>December 31, 2021</i>					
	<i>Unpaid Principal Balance</i>	<i>Recorded Investment</i>	<i>Investment with no Allowance</i>	<i>Investment with Allowance</i>	<i>Related Allowance for Losses</i>
	<i>(in thousands)</i>				
Real estate loans	\$ 1,548	\$ 1,548	\$ 1,477	\$ 71	\$ 10
Commercial loans	20	20	20	-	-
Consumer and other	25	25	4	21	7
	<u>\$ 1,593</u>	<u>\$ 1,593</u>	<u>\$ 1,501</u>	<u>\$ 92</u>	<u>\$ 17</u>

Notes to Consolidated Financial Statements (continued)

NOTE 4. LOANS (continued)

The Bank's average recorded investment in impaired loans was approximately \$1,685,000 during the year ended December 31, 2022 and approximately \$2,234,000 during the year ended December 31, 2021. Interest income recognized on impaired loans during the years ended December 31, 2022 and 2021 was immaterial. No additional funds are committed to be advanced in connection with impaired loans.

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method:

<i>December 31, 2022</i>					
<i>Real Estate Loans</i>	<i>Commercial Loans</i>	<i>Consumer Loans</i>	<i>Unallocated</i>	<i>Total</i>	
	<i>(in thousands)</i>				
Loans evaluated for impairment:					
Individually	\$ 1,665	\$ 101	\$ 10	\$ -	\$ 1,776
Collectively	<u>112,938</u>	<u>27,508</u>	<u>4,185</u>	<u>-</u>	<u>144,631</u>
	<u>\$ 114,603</u>	<u>\$ 27,609</u>	<u>\$ 4,195</u>	<u>\$ -</u>	<u>\$ 146,407</u>
Allowance for losses evaluated for impairment:					
Individually	\$ 9	\$ 2	\$ 4	\$ -	\$ 15
Collectively	<u>1,206</u>	<u>291</u>	<u>42</u>	<u>3,428</u>	<u>4,967</u>
	<u>\$ 1,215</u>	<u>\$ 293</u>	<u>\$ 46</u>	<u>\$ 3,428</u>	<u>\$ 4,982</u>
<i>December 31, 2021</i>					
<i>Real Estate Loans</i>	<i>Commercial Loans</i>	<i>Consumer Loans</i>	<i>Unallocated</i>	<i>Total</i>	
	<i>(in thousands)</i>				
Loans evaluated for impairment:					
Individually	\$ 1,548	\$ 20	\$ 25	\$ -	\$ 1,593
Collectively	<u>116,265</u>	<u>32,370</u>	<u>4,570</u>	<u>-</u>	<u>153,205</u>
	<u>\$ 117,813</u>	<u>\$ 32,390</u>	<u>\$ 4,595</u>	<u>\$ -</u>	<u>\$ 154,798</u>
Allowance for losses evaluated for impairment:					
Individually	\$ 10	\$ -	\$ 7	\$ -	\$ 17
Collectively	<u>1,291</u>	<u>379</u>	<u>46</u>	<u>3,336</u>	<u>5,052</u>
	<u>\$ 1,301</u>	<u>\$ 379</u>	<u>\$ 53</u>	<u>\$ 3,336</u>	<u>\$ 5,069</u>

Notes to Consolidated Financial Statements (continued)

NOTE 4. LOANS (continued)

The following tables summarize the changes in the allowance for credit losses by segment for the periods indicated:

<i>Year ended December 31, 2022</i>					
<i>Balance at Beginning of Period</i>	<i>Charge- Offs</i>	<i>Recoveries</i>	<i>Provision</i>	<i>Balance at End of Period</i>	
<i>(in thousands)</i>					
Real estate loans	\$ 1,301	\$ (229)	\$ 173	\$ (30)	\$ 1,215
Commercial loans	379	-	-	(86)	293
Consumer loans	53	(33)	2	24	46
Unallocated	3,336	-	-	92	3,428
	<u>\$ 5,069</u>	<u>\$ (262)</u>	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 4,982</u>
<i>Year ended December 31, 2021</i>					
<i>Balance at Beginning of Period</i>	<i>Charge- Offs</i>	<i>Recoveries</i>	<i>Provision</i>	<i>Balance at End of Period</i>	
<i>(in thousands)</i>					
Real estate loans	\$ 1,397	\$ (139)	\$ 1	\$ 42	\$ 1,301
Commercial loans	509	(7)	4	(127)	379
Consumer and other	52	(11)	5	7	53
Unallocated	2,928	-	-	408	3,336
	<u>\$ 4,886</u>	<u>\$ (157)</u>	<u>\$ 10</u>	<u>\$ 330</u>	<u>\$ 5,069</u>

In the normal course of business, management will sometimes grant concessions, which normally would not otherwise be considered to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as troubled-debt-restructures (TDRs). The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan, the charge-off of a portion of the loan, or a reduction in the rate of interest charged. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection and the borrower's ability to perform under the modified terms in determining the appropriate accrual status at the time of restructure. TDR loans initially placed on nonaccrual status may be returned to accrual status if there has been at least a six-month period of sustained repayment performance by the borrower.

There were no modifications accounted for as TDRs during the year ended December 31, 2022 and 2021.

NOTE 5. EQUITY SECURITIES AT COST

Equity securities without readily determinable fair values are maintained at historical cost basis minus impairment (if any) plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. The Company performs a qualitative impairment assessment of each underlying security periodically and has determined that no impairment was observed for any of the underlying securities. Equity securities at cost consist of the following:

Notes to Consolidated Financial Statements (continued)

NOTE 5. EQUITY SECURITIES AT COST (continued)

	<i>December 31,</i>	
	<u>2022</u>	<u>2021</u>
Federal Home Loan Bank stock	\$ 1,991,000	\$ 1,969,000
First National Banker's Bankshares stock	356,800	356,800
First Commercial Bank stock	35,860	35,860
Financial Institution Services Corporation stock	10,055	10,055
	<u>\$ 2,393,715</u>	<u>\$ 2,371,715</u>

NOTE 6. OTHER INVESTMENTS CARRIED AT COST

The Company maintains an investment in certain rental real estate partnerships maintained at historical cost basis consisting of the following:

	<i>December 31,</i>			
	<u>2022</u>		<u>2021</u>	
	<i>Historical Cost</i>	<i>Ownership Percentage</i>	<i>Historical Cost</i>	<i>Ownership Percentage</i>
Rockstep Scottsbluff, LLC	\$ 135,000	3.33%	\$ 142,500	3.33%
Rockstep Starkville, LLC	30,000	3.57%	32,500	3.57%
Rockstep Opelousas, LLC	65,000	3.33%	78,600	3.33%
Rockstep Willmar, LLC	140,000	2.35%	140,000	2.35%
Rockstep Capital Opportunity Fund I	37,234	4.35%	67,021	4.35%
	<u>\$ 407,234</u>		<u>\$ 460,621</u>	

The Company's cost basis in these investments is reduced by any distributions deemed to represent a return of capital or any impairment recognized during the reporting period. During the year ended December 31, 2022, the Company received distributions from Rockstep Scotts Bluff, LLC, Rockstep Opelousas, LLC, Rockstep Opportunity Fund, LLC and Rockstep Starkville, LLC.

NOTE 7. BANK PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment follows:

	<i>December 31,</i>	
	<u>2022</u>	<u>2021</u>
Land	\$ 1,780,956	\$ 1,780,956
Buildings & improvements	6,199,182	6,199,182
Equipment	3,808,380	3,797,663
	11,788,518	11,777,801
Less: accumulated depreciation and amortization	(5,827,680)	(5,540,064)
	<u>\$ 5,960,838</u>	<u>\$ 6,237,737</u>

Depreciation expense for the years ended December 31, 2022 and 2021, amounted to \$315,405 and \$309,609, respectively.

Notes to Consolidated Financial Statements (continued)

NOTE 7. BANK PREMISES AND EQUIPMENT (continued)

The Company is the lessor of certain commercial real estate under terms accounted for as an operating lease. Leased property is included in premises and equipment and includes land, buildings and improvements totaling approximately \$324,000 and \$324,000 at December 31, 2022 and 2021, respectively, and related accumulated depreciation of approximately \$51,000 and \$36,000 at December 31, 2022 and 2021, respectively. The term of the lease is seven years and includes a buyout option after the first sixty months, or at March 2024. The buyout is equal to one year's base rental amount.

Minimum future rentals to be received on noncancelable leases with remaining terms in excess of one year at December 31, 2022 approximate the following:

2023		\$ 66,472
2024		66,472
2025		66,472
		\$ 199,416

The Company, as lessee, leases certain property accounted for as short-term leases. The Company elects to account for short-term lease costs as expense on the straight line basis over the term of the lease in the period in which the obligation for the payment is incurred. Total rental expenses associated with these leasing arrangements amounted to \$3,960 and \$3,900 during the years ended December 31, 2022 and 2021, respectively.

NOTE 8. DEPOSITS

A summary of deposits follows:

	<i>December 31,</i>	
	<i>2022</i>	<i>2021</i>
Demand	\$ 88,223,520	\$ 92,977,196
Interest-bearing demand	129,133,957	131,183,293
Savings	26,030,789	23,414,173
Certificates of deposit	93,164,175	96,951,018
	\$ 336,552,441	\$ 344,525,680

The aggregate amount of time deposits in denominations exceeding FDIC insurance limits at December 31, 2022 and 2021 was approximately \$22,292,000 and \$19,988,000, respectively.

One customer relationship accounted for 18% and 15% of total deposits at December 31, 2022 and 2021, respectively.

At December 31, 2022, the scheduled maturities of time deposits are as follows:

2023		\$ 60,198,659
2024		21,340,779
2025		4,586,131
2026		5,895,648
2027		1,142,958
		\$ 93,164,175

Demand deposit accounts reclassified as loans in the form of overdrafts amounted to approximately \$98,235 and \$41,409 at December 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements (continued)

NOTE 9. BORROWED FUNDS

The Bank has entered into a blanket floating lien security agreement with the Federal Home Loan Bank (FHLB) of Dallas. Under the terms of this agreement, the Bank is required to maintain sufficient collateral to secure borrowings in an aggregate amount of the lesser of 75% of the book value (unpaid principal balance) of the Bank's one to four family residential first mortgages, small business, and small farm loans or 35% of the Bank's assets.

The Bank also maintained stock in the Federal Home Loan Bank as indicated in Note 5 at December 31, 2022 and 2021 respectively, which is required to be held by the Bank in order to secure future advances. Dividends received by the Bank relating to this stock during 2022 and 2021 were \$22,000 and \$9,700, respectively.

The Bank's fixed-rate, long-term debt of \$7,083,379 and \$8,020,878 at December 31, 2022 and 2021, respectively, represented advances under that blanket floating lien security agreement with the Federal Home Loan Bank. There are no conversion or call features or specific restrictive covenants associated with the Federal Home Loan Bank borrowings; however, there are penalties in the event of prepayment.

The Company has issued subordinated debt totaling \$17,500,000 pursuant to its participation in the Emergency Capital Investment Program (ECIP) with the U.S. Department of the Treasury. Under the terms of the related agreements, the subordinated debt accrues no interest for the for the initial 24 months following the Treasury Department's investment date of June 14, 2022. Thereafter the interest adjusts based on a sliding scale depending on the Bank's qualifying loan growth under the ECIP program with a ceiling of 2.00% and a floor of 0.50% payable in quarterly installments. The maturity date of the subordinated debenture is June 14, 2052 and the Company can redeem the subordinated debt on or after the fifth anniversary of issuance, subject to regulatory approval. The subordinated debentures contain provisions that restrict dividends and share repurchases by the Company if interest payments required by the debentures are in deferral for a specified period of time under the terms of the program. In addition, the subordinated debentures require the Company and its covered officers and employees to comply with rules and regulations of Treasury with respect to restrictions on executive compensation. Deferral of payments can be invoked if the Company fails to be classified as well capitalized by its primary regulator, the Company fails to achieve positive net income for the most recently completed quarter, or the Company is subject to distribution limitations under the capital rules applicable to it.

At December 31, 2022, the interest rates on fixed-rate, long-term debt ranged from 1.613 percent to 4.941 percent. At December 31, 2022, the weighted average interest rate on fixed-rate, long-term debt was 2.03 percent.

The contractual maturities of long-term debt at December 31, 2022, are as follows:

2023	\$ 4,839,330
2024	483,068
2025	439,533
2026	355,661
2027	288,850
Thereafter	<u>18,176,937</u>
	<u>\$ 24,583,379</u>

In addition to the aforementioned long-term financing arrangements, at December 31, 2022, the Bank had established informal federal funds borrowings lines of credit aggregating \$11,300,000.

The Company also has a line of credit of \$2,500,000 with another financial institution that is secured by 5,000 shares of RiverHills Bank stock, bearing interest at a rate equal to New York Prime Rate and maturing in 2027. The Company did not make any draws against this line during 2022 and 2021.

Notes to Consolidated Financial Statements (continued)

NOTE 10. RETIREMENT PLANS

Employee Stock Ownership plan

The Company has an Employee Stock Ownership Plan (ESOP) covering substantially all employees. Discretionary contributions are determined by the Board of Directors. At December 31, 2022 and 2021, the plan held 9,540 and 9,540 shares of common stock, respectively. For the years ended December 31, 2022 and 2021, expenses attributable to the plan amounted to \$6,000 and \$128,655, respectively.

401(k) Plan

The Company has a defined contribution 401(k) plan covering substantially all employees. Employees may contribute up to 15% of their compensation to this plan. The plan limits the Company matching contribution to the following: 100% of the first 3% of the employee's contribution and 50% of the next 3% of the employee's contribution, subject to 6% limit. For the years ended December 31, 2022 and 2021, employer contributions charged to expense were \$131,963 and \$127,325, respectively.

NOTE 11. RELATED PARTY TRANSACTIONS

The Bank makes loans to its officers and directors as well as other related parties. Loans to related parties amounted to approximately \$1,754,000 and \$2,113,000 at December 31, 2022 and 2021, respectively. During 2022, new loans to such related parties amounted to 2,200,000 and repayments amounted to \$2,559,000.

Deposits from related parties held by the Bank at December 31, 2022 amounted to approximately \$3,223,000.

NOTE 12. OFF-BALANCE SHEET ACTIVITIES

Credit-Related Financial Instruments

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

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2022 and 2021, the following financial instruments were outstanding whose contract amounts represent credit risk:

	<i>Years Ended December 31,</i>	
	<i>2022</i>	<i>2021</i>
	<i>(in thousands)</i>	
Unfunded commitments under lines of credit	\$ 25,392	\$ 25,408
Standby letters of credit	\$ 516	\$ 833

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are collateralized in conformity with bank lending practices, may not contain a specified maturity date and might not be drawn upon to the total extent to which the Bank is committed.

Standby letters-of-credit are conditional lending commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank typically holds collateral supporting those commitments, the value of which is deemed by management to be sufficient to limit the Bank's exposure to credit risk associated with issuing the guaranty. Premiums charged in issuing the guarantees are not material to the financial statements taken as a whole.

Notes to Consolidated Financial Statements (continued)

NOTE 13. DUE FROM BANKS

The Company had funds on hand and on deposit with other banks at December 31, 2022 in excess of or not subject to FDIC insurance of \$6,201,727.

NOTE 14. LEGAL CONTINGENCIES

Various legal claims arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Bank's consolidated financial statements.

NOTE 15. MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Company 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 adverse effect on the Company's financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (risk-based capital ratios). All banking companies are required to have core capital ("Tier 1") of at least 4% of risk-weighted assets, total capital of at least 8% of risk-weighted assets, Common Equity Tier 1 capital of at least 4.5% and a minimum Tier 1 leverage ratio of 4% of adjusted average assets. The regulations also define well capitalized levels of Common Equity Tier 1 capital, Tier 1 capital, total capital and Tier 1 leverage ratio as 6.5%, 8%, 10% and 5%, respectively. Management believes, as of December 31, 2022 and 2021, that the Bank meets all capital adequacy requirements to which it is subject and is not aware of any conditions or events that may have changed the bank's category.

The Company has opted into the community bank leverage ratio (CBLR) framework. The CBLR framework allows qualifying community banking organizations to calculate a leverage ratio to measure capital adequacy. A qualifying community banking organization is defined as having less than \$10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. A CBLR bank is deemed to have met the "well capitalized" ratio requirements and be in compliance with the generally applicable capital rule. The Company's actual capital amounts and ratios under the CBLR framework as of December 31, 2022 and 2021 are also presented in the table:

	2022		2021	
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>
	<i>(dollar amounts in thousands)</i>			
Tier 1 leverage capital (to average assets)				
RiverHills Capital Corporation	44,273	11.2%	41,634	10.5%
RiverHills Bank	43,908	11.2%	40,150	10.2%

NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Notes to Consolidated Financial Statements (continued)

NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME (continued)

The components of accumulated other comprehensive income, included in stockholders' equity, are as follows:

	<i>Years Ended December 31,</i>	
	<u>2022</u>	<u>2021</u>
Net unrealized gains (losses) on debt securities available-for-sale	\$ (9,314,304)	\$ 1,356,166

NOTE 17. RESTRICTIONS ON DIVIDENDS

Federal and state banking regulations place certain restrictions on dividends paid. The total amount of dividends that may be paid at any date is generally limited to the retained earnings of the Bank. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements and are subject to increasingly stringent limitations with respect to capital distributions and discretionary bonus payments to executive officers as regulatory capital conservation buffers approach zero percent.

NOTE 18. INCENTIVE COMPENSATION PLANS

Time-Vested Awards

The Company's time-vested awards are granted to the certain Bank executives. 2,000 shares have been authorized by the Company to be awarded over a 5-year period and the executives become vested in each award on the fifth anniversary of the grant date of each award. Time-vested awards are valued utilizing the fair value of the Company's stock at the grant date. These awards are recognized on the straight-line method over the requisite service period. Compensation expense for time-vested awards for the years ended December 31, 2022 and 2021, totaled \$0 and \$20,353, respectively.

The following table summarized time-vested awards activities for the years ended December 31:

	<u>2022</u>		<u>2021</u>	
	<i>Shares</i>	<i>Weighted Average Exercise Price</i>	<i>Shares</i>	<i>Weighted Average Exercise Price</i>
Non-vested shares, beginning of year	1,200	\$ 81.25	1,600	\$ 76.94
Granted	-	-	-	-
Released from restrictions	(400)	77.25	(400)	64.00
Forfeited	-	-	-	-
Non-vested shares, end of year	<u>800</u>	<u>\$ 81.25</u>	<u>1,200</u>	<u>\$ 76.94</u>

NOTE 19. DEFERRED COMPENSATION ARRANGEMENTS

The Bank has entered into defined benefit deferred compensation arrangements in order to provide supplemental benefits for certain executives of the Bank. The defined benefit plans provide a fixed benefit to certain executives. The plans have vesting schedules, and the Bank has purchased life insurance policies on the executives that are designed by the seller to offset the annual expenses associated with the plans. The Bank is the sole owner of all policies.

The liability reserve account related to these deferred compensation agreements is included on the consolidated balance sheets.

Notes to Consolidated Financial Statements (continued)

NOTE 20. REVENUE RECOGNITION

The majority of the Company's revenue streams are governed by other authoritative guidance and, therefore, considered out-of-scope of FASB ASC 606. The Company's revenue streams that are considered in-scope of ASC 606 are discussed below.

ASC 606 requires costs that are incremental to obtaining a contract to be capitalized. ASC 606 has established, and the Company has utilized, a practical expedient allowing costs that, if capitalized, would have an amortization period of one year or less to instead be expensed as incurred.

Service Fees

Service fees include service charges on deposit accounts such as maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. The contracts with deposit account customers are day-to-day contracts and are considered to be terminable at will by either party. Therefore, the fees are all considered to be earned when charged and simultaneously collected.

Service fees also include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions. These fees are earned at a point in time as the services are rendered, and therefore the related revenue is recognized as the Company's performance obligation is satisfied.

Sales of Foreclosed Assets

The Company continually markets the properties included in the foreclosed assets portfolio. The Company will at times, in the ordinary course of business, provide seller-financing on sales of foreclosed assets. In cases where a sale is seller-financed, the Company must ensure the commitment of both parties to perform their respective obligations and the collectability of the transaction price in order to properly recognize the revenue on the sale of foreclosed assets. This is accomplished through the Company's loan underwriting process. In this process the Company considers things such as the buyer's initial equity in the property, the credit quality of the buyer, the financing terms of the loan and the cash flow from the property, if applicable. If it is determined that the contract criteria in ASC 606 have been met, the revenue on the sale of foreclosed assets will be recognized on the closing date of the sale when the Company has transferred title to the buyer and obtained the right to receive payment for the property. In instances where sales are not seller-financed, the Company recognizes revenue on the closing date of the sale when the Company has obtained payment for the property and transferred title to the buyer.

Other Noninterest Income

Other noninterest income primarily consists of grants and Bank Enterprise Awards under the Community Development Financial Institution programs awarded by the Department of the Treasury. The income is recognized when the performance goals associated with such awards are satisfied. In general, Bank Enterprise Awards are recognized when the awards are released by Treasury and appropriated by Congress. Financial Assistance grants awarded to the Company have a contractual term and performance measurement period of three years for each award. The Company monitors performance goals under the contract on a periodic basis and, when the performance goals have been met for a fiscal period, the Company recognizes income on a straight-line basis over the contract term and therefore Financial Assistance grants represent revenue recognized over a period of time. Grant awards received in prior years and deferred to future periods amounted to \$219,000 and \$438,000 at December 31, 2022 and 2021, respectively, and is included in other liabilities on the consolidated balance sheet. Financial Assistance grant awards recognized in income during the year ended December 31, 2022 and 2021 amounted to \$219,000 and \$535,667, respectively.

NOTE 21: GOVERNMENT GRANTS RECEIVED

The Company received cash awards approximating \$171,000 and \$1,826,000 in the form of grants through the Department of Treasury's Community Development Financial Institution (CDFI) Bank Enterprise Award (BEA) and Rapid Response Program (RRP) during the years ended December 31, 2022 and 2021, respectively. The grants were issued to encourage investment and lending in underserved communities and to provide capital to CDFIs to respond to economic challenges created by the COVID-19 pandemic.

Notes to Consolidated Financial Statements (continued)

NOTE 21: GOVERNMENT GRANTS RECEIVED (continued)

The RRP grant award included performance goals that required the Company close a dollar volume of financial products equal to the award in eligible and/or approved target markets with benchmarks for minimum dollar volumes over a two-year performance period. The general terms of the award specify that the grantor may require repayment of CDFI RRP assistance under certain circumstances, including failure to meet performance goals in the time period specified in the grant.

Grant awards received and deferred to future periods amounted to \$0 and \$200,000 and at December 31, 2022 and 2021, respectively and is included in other liabilities on the consolidated balance sheet. Grant awards recognized in income during the years ended December 31, 2022 and 2021 amounted to \$371,000 and \$1,626,000, respectively and is included in other noninterest income in the accompanying consolidated statements of income.

Supplemental Information



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**Independent Auditors' Report On
Supplemental Information**

To the Board of Directors and Stockholders
RiverHills Capital Corporation and Subsidiary
Vicksburg, Mississippi

We have audited the consolidated financial statements of RiverHills Capital Corporation and Subsidiary as of and for the year ended December 31, 2022 and our report thereon dated February 27, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on Page 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules 1 and 2 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Nail McKinney P.A.

Tupelo, Mississippi
February 27, 2023

Consolidating Balance Sheet

RIVERHILLS CORPORATION AND SUBSIDIARY

December 31, 2022

	<i>RiverHills Capital Corporation</i>	<i>RiverHills Bank</i>	<i>Eliminations</i>	<i>Consolidated</i>
Assets				
Cash and due from banks:				
Noninterest-bearing	\$ 13,264,245	\$ 6,466,671	\$ (13,258,584)	\$ 6,472,332
Interest-bearing	-	37,191,238	-	37,191,238
Federal funds sold	-	975,000	-	975,000
Cash and cash equivalents	13,264,245	44,632,909	(13,258,584)	44,638,570
Interest-bearing time deposits in banks	-	4,269,000	-	4,269,000
Debt securities available for sale	-	173,515,443	-	173,515,443
Debt securities held to maturity	3,490,835	15,911,985	-	19,402,820
Equity securities at fair value	870,399	-	-	870,399
Investment in subsidiary	34,594,302	-	(34,594,302)	-
Loans, net of allowance for loan losses	-	141,425,092	-	141,425,092
Equity securities at cost	35,860	2,357,855	-	2,393,715
Accrued interest receivable	9,819	2,165,664	-	2,175,483
Premises and equipment, net	-	5,960,838	-	5,960,838
Other investments carried at cost	407,234	-	-	407,234
Cash surrender value of life insurance	-	1,728,470	-	1,728,470
Prepaid expenses	-	87,771	-	87,771
Other assets	5,000	-	-	5,000
Total assets	<u>\$ 52,677,694</u>	<u>\$ 392,055,027</u>	<u>\$ (47,852,886)</u>	<u>\$ 396,879,835</u>
Liabilities and Stockholders' Equity				
Liabilities:				
Deposits:				
Demand	\$ -	\$ 101,482,103	\$ (13,258,583)	\$ 88,223,520
Savings, NOW and money market	-	155,164,746	-	155,164,746
Time	-	93,164,175	-	93,164,175
Total deposits	-	349,811,024	(13,258,583)	336,552,441
Borrowed funds	17,500,000	7,083,379	-	24,583,379
Deferred compensation	-	210,803	-	210,803
Escrow payable	-	164,933	-	164,933
Accrued interest payable	-	168,922	-	168,922
Other liabilities	219,000	21,663	-	240,663
Total liabilities	<u>17,719,000</u>	<u>357,460,724</u>	<u>(13,258,583)</u>	<u>361,921,141</u>
Stockholders' equity:				
Common stock	857,580	500,000	(500,000)	857,580
Additional paid-in capital	4,323,258	-	-	4,323,258
Retained earnings	42,569,475	43,408,607	(43,408,607)	42,569,475
Accumulated other comprehensive income	(9,314,304)	(9,314,304)	9,314,304	(9,314,304)
Common stock in treasury, at cost	(3,477,315)	-	-	(3,477,315)
Total stockholders' equity	<u>34,958,694</u>	<u>34,594,303</u>	<u>(34,594,303)</u>	<u>34,958,694</u>
Total liabilities and stockholders' equity	<u>\$ 52,677,694</u>	<u>\$ 392,055,027</u>	<u>\$ (47,852,886)</u>	<u>\$ 396,879,835</u>

Consolidating Statement of Income

RIVERHILLS CAPITAL CORPORATION AND SUBSIDIARY

Year ended December 31, 2022

	<i>RiverHills Capital Corporation</i>	<i>RiverHills Bank</i>	<i>Eliminations</i>	<i>Consolidated</i>
Interest and dividend income:				
Loans, including fees	\$ -	\$ 7,677,119	\$ -	\$ 7,677,119
Debt securities	58,073	3,047,104	-	3,105,177
Deposits with financial institutions	4	549,083	-	549,087
Federal funds sold	-	7,607	-	7,607
Dividends	1,078,886	29,211	(1,045,500)	62,597
Total interest and dividend income	<u>1,136,963</u>	<u>11,310,124</u>	<u>(1,045,500)</u>	<u>11,401,587</u>
Interest expense:				
Deposits	-	1,216,233	-	1,216,233
Federal funds purchased	-	12	-	12
Other borrowed funds	-	155,773	-	155,773
Total interest expense	<u>-</u>	<u>1,372,018</u>	<u>-</u>	<u>1,372,018</u>
Net interest income	1,136,963	9,938,106	(1,045,500)	10,029,569
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	<u>1,136,963</u>	<u>9,938,106</u>	<u>(1,045,500)</u>	<u>10,029,569</u>
Noninterest income:				
Service fees	-	1,412,025	-	1,412,025
Net loss on disposition of debt securities	-	(22,338)	-	(22,338)
Unrealized holding losses on equity securities	(181,068)	-	-	(181,068)
Net gain on disposition of foreclosed assets	-	60,173	-	60,173
Other noninterest income	238,106	534,304	-	772,410
Equity in earnings of subsidiary	3,758,262	-	(3,758,262)	-
Total noninterest income	<u>3,815,300</u>	<u>1,984,164</u>	<u>(3,758,262)</u>	<u>2,041,202</u>
Noninterest expenses:				
Salaries and employee benefits	-	4,435,972	-	4,435,972
Occupancy expense, net of rental income	-	458,621	-	458,621
Equipment expenses	-	259,878	-	259,878
Data processing fees	-	651,917	-	651,917
Advertising	-	145,053	-	145,053
Legal and professional	128,473	356,190	-	484,663
Other general and administrative	2,909	810,877	-	813,786
Total noninterest expenses	<u>131,382</u>	<u>7,118,508</u>	<u>-</u>	<u>7,249,890</u>
Net income	<u>\$ 4,820,881</u>	<u>\$ 4,803,762</u>	<u>\$ (4,803,762)</u>	<u>\$ 4,820,881</u>