Neffs Bancorp, Inc.

Financial Statements and Selected Financial Data

December 31, 2020 and 2019

DIRECTORS of the CORPORATION and BANK

Robert B. Heintzelman

John J. Remaley

Duane A. Schleicher

Kevin A. Schmidt

John F. Sharkey, Jr.

John F. Simock

Dean H. Snyder

OFFICERS of the CORPORATION

John J. Remaley
President

Kevin A. Schmidt
Vice President

David C. Matulevich
Secretary/Treasurer

OFFICERS of the BANK

John J. Remaley
Chairman of the Board

Kevin A. Schmidt
President and
Chief Executive Officer

Michael J. Bailey
Executive Vice President,
Cashier and
Chief Operations Officer

Marianne C. Eisenhauer
Vice President Commercial
Lending/Credit Administration

Greta D. Mast
Vice President Commercial
Lending

David C. Matulevich
Vice President Administration/
Chief Financial Officer

Ronald K. Miller
Vice President Retail Lending

Colleen A. Worysz
Vice President Customer Service
Relations

Year End 2020

To Our Valued Shareholders –

Experiencing a global pandemic during our lifetimes wasn't an immediate concern during our daily routines, but its effects bore witness to the seriousness of its occurrence. Almost overnight, we were required to take a realistic look at where we were – as individuals, as families, as business managers, as partners or as entrepreneurs. We learned that some of the familiar and trusted ways of conducting our financial affairs needed re-assessment and updating. Things were about to change – and we had little control to prevent them from happening! The Boards of Directors and management of Neffs Bancorp, Inc. and its subsidiary, The Neffs National Bank were required to adapt its policies and procedures, recognizing the bank's safety and soundness as its primary objective. As more electronic procedures needed to be initiated and accessed resulting in fewer in-person bank relationships, banking was thrust into a new age and nearly everyone needed to navigate uncertain territory. The bank's patrons, the bank's employees and the community-at-large contributed immensely to patiently endure the turmoil that ensued.

In spite of all the confusion and uncertainty, the success of the opening of the second location of our enterprise was becoming apparent with it now boasting $7,700,000.00 in new deposits and loans growing to $5,400,000.00. The initial projections for that location had been less optimistic than the operation has realized. Overall, in both locations, results provided 8.77% growth in Total Assets, $3,500,000.00 in Net Income and a Return on Assets of 0.92%. Our banking peer group continually envies our resulting successfulness.

As we look forward to the new year, with world-wide tensions in the Middle East and China, with underemployment existing in our country, and with new and unknown effects resulting from the pandemic, there are still serious concerns that will add additional driving forces likely affecting how our business will be conducted. As adjustments are made, we'll all need to exhibit patience, understanding and confidence in our approach. But together we'll succeed!

Thank you for your continued patronage as our dedicated team stands ready to serve you. Invite your family, friends and neighbors to *"bank where you bank,"* your independently - operated, locally - owned community bank, where **STRENGTH. TRUST. COMMUNITY.** guide us every day.

Cordially yours,

John J. Remaley
President

TABLE OF CONTENTS

Independent Auditors' Report

To the Board of Directors and Stockholders of
Neffs Bancorp, Inc.

We have audited the accompanying consolidated financial statements of Neffs Bancorp, Inc. and its subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Neffs Bancorp, Inc. and its subsidiary as of December 31, 2020 and 2019, 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.

Baker Tilly US, LLP

Allentown, Pennsylvania
March 3, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars In Thousands, Except Share and Per Share Data)	December 31 2020	2019
ASSETS		
Cash and cash equivalents	**$ 7,169**	$ 1,777
Interest bearing deposits with banks	**7,660**	914
Securities available for sale, at fair value	**82,764**	60,355
Securities held to maturity, fair value 2020: $105,292; 2019: $124,799	**101,035**	122,191
Loans receivable, net of allowance for loan losses 2020: $2,258; 2019: $2,044	**203,351**	185,073
Premises and equipment, net	**4,448**	2,166
Other real estate owned	**-**	702
Restricted investments in bank stocks	**633**	618
Other assets	**2,074**	2,346
Total Assets	**$409,134**	$376,142
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	**$ 67,307**	$ 57,963
Interest bearing	**255,179**	236,476
Total Deposits	**322,486**	294,439
Short-term borrowings	**2,500**	123
Long-term borrowings	**7,500**	10,000
Other liabilities	**2,775**	943
Total Liabilities	**335,261**	305,505
Stockholders' equity:		
Common stock, $1 par value; authorized 2,500,000 shares; 2020: issued 187,919 shares; outstanding shares 158,366; 2019: issued 187,919 shares; outstanding shares 158,514	**188**	188
Serial preferred stock, $1 par value; authorized 1,000,000 shares; authorized 500,000 Preferred Series A shares; issued 7,516 shares; 2020: outstanding shares 6,053; liquidation preference $1,575,051; 2019: outstanding shares 6,153; liquidation preference $1,601,072	**8**	8
Paid-in capital	**234**	182
Retained earnings	**80,553**	78,279
Accumulated other comprehensive income	**1,318**	242
Treasury stock (common), at cost, 2020 29,553 shares; 2019 29,405 shares	**(7,977)**	(7,846)
Treasury stock (Preferred Series A), at cost, 2020 1,463 shares; 2019 1,363 shares	**(451)**	(416)
Total Stockholders' Equity	**73,873**	70,637
Total Liabilities and Stockholders' Equity	**$409,134**	$376,142

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2020	**2019**
(Dollars In Thousands, Except Share and Per Share Data)		
INTEREST INCOME		
Interest and fees on loans	**$ 8,517**	$ 8,016
Interest and dividends on investments:		
Taxable	**2,547**	3,572
Exempt from federal income taxes	**2,145**	2,163
Interest on federal funds sold and other	**21**	56
Total Interest Income	**13,230**	13,807
INTEREST EXPENSE		
Deposits	**2,726**	3,253
Borrowings	**248**	184
Total Interest Expense	**2,974**	3,437
Net Interest Income	**10,256**	10,370
PROVISION FOR LOAN LOSSES	**214**	-
Net Interest Income after Provision for Loan Losses	**10,042**	10,370
OTHER INCOME		
Impairment accretion on securities	**32**	32
Portion of accretion recognized in other comprehensive income (loss) (before tax)	**(32)**	(32)
Net impairment losses	**-**	-
Service charges on deposit accounts	**53**	71
Other service charges and fees	**93**	120
Gain on called securities	**-**	25
Gain on sale of securities	**-**	767
Other income	**24**	24
Total Other Income	**170**	1,007
OTHER EXPENSES		
Salaries and employee benefits	**3,497**	3,195
Occupancy	**359**	425
Furniture and equipment	**479**	422
Pennsylvania shares tax	**548**	506
FDIC expense	**59**	46
Loss on sale of other real estate owned	**-**	8
Other expenses	**1,334**	1,346
Total Other Expenses	**6,276**	5,948
Income before Income Taxes	**3,936**	5,429
INCOME TAX EXPENSE (BENEFIT)		
Current	**359**	634
Deferred	**(13)**	31
Total Income Tax Expense	**346**	665
Net Income	**3,590**	4,764
Preferred Stock Dividend	**(49)**	(50)
Income Available to Common Shareholders	**$ 3,541**	$ 4,714
EARNINGS PER SHARE, BASIC	**$ 22.35**	$ 29.74
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**158,423**	158,522

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands)	Years Ended December 31	
	2020	**2019**
Net Income	**$3,590**	$4,764
Other Comprehensive Income		
Unrealized holding gains on securities available for sale, net of tax benefit: 2020 $279; 2019 $324	**1,051**	1,218
Unrealized holding gains on securities other-than-temporarily impaired held to maturity, net of tax benefit: 2020 $7; 2019 $7	**25**	25
Total other comprehensive income	**1,076**	1,243
Total Comprehensive Income	**$4,666**	$6,007

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Preferred Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Treasury Stock	Preferred Treasury Stock	Total Stockholders' Equity
	Years Ended December 31, 2020 and 2019							
	(Dollars in Thousands, Except per Share Data)							
BALANCE – JANUARY 1, 2019	188	8	116	74,833	(1,001)	(7,791)	(324)	66,029
Net income	-	-	-	4,764	-	-	-	4,764
Other comprehensive income	-	-	-	-	1,243	-	-	1,243
Common stock cash dividend, $8.00 per share	-	-	-	(1,268)	-	-	-	(1,268)
Preferred stock cash dividend, $8.00 per share	-	-	-	(50)	-	-	-	(50)
Purchase of common treasury stock (290 shares)	-	-	-	-	-	(123)	-	(123)
Purchase of Series A Preferred treasury stock (222 shares)	-	-	-	-	-	-	(92)	(92)
Sale of common treasury stock (328 shares)	-	-	66	-	-	68	-	134
BALANCE - DECEMBER 31, 2019	**$188**	**$8**	**$182**	**$78,279**	**$242**	**$(7,846)**	**$(416)**	**$70,637**
Net income	**-**	**-**	**-**	**3,590**	**-**	**-**	**-**	**3,590**
Other comprehensive income	**-**	**-**	**-**	**-**	**1,076**	**-**	**-**	**1,076**
Common stock cash dividend, $8.00 per share	**-**	**-**	**-**	**(1,267)**	**-**	**-**	**-**	**(1,267)**
Preferred stock cash dividend, $8.00 per share	**-**	**-**	**-**	**(49)**	**-**	**-**	**-**	**(49)**
Purchase of common treasury stock (388 shares)	**-**	**-**	**-**	**-**	**-**	**(178)**	**-**	**(178)**
Purchase of Series A Preferred treasury stock (100 shares)	**-**	**-**	**-**	**-**	**-**	**-**	**(35)**	**(35)**
Sale of common treasury stock (240 shares)	**-**	**-**	**52**	**-**	**-**	**47**	**-**	**99**
BALANCE - DECEMBER 31, 2020	**$188**	**$8**	**$234**	**$80,553**	**$1,318**	**$(7,977)**	**$(451)**	**$73,873**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 3,590**	$ 4,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**308**	260
Provision for loan losses	**214**	-
Writedown of other real estate owned	**65**	27
Net amortization of securities	**935**	318
Gain on called securities	**-**	(25)
Gain on sold securities	-	(767)
Loss on sale of other real estate owned	-	8
Deferred income tax (benefit) expense	**(15)**	31
Decrease (increase) in assets:		
Accrued interest receivable	**85**	102
Other assets	**(83)**	16
Operating lease payments	**(47)**	-
Increase (decrease) in liabilities:		
Accrued interest payable	**(205)**	62
Other liabilities	**61**	12
Net Cash Provided by Operating Activities	**4,908**	4,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in interest bearing deposits with banks	**(6,746)**	4,984
Purchases of securities available for sale	**(46,916)**	(26,774)
Purchases of securities held to maturity	**(47,128)**	(15,820)
Proceeds from maturities/calls and principal repayments of securities available for sale	**24,999**	7,620
Proceeds from maturities/calls of securities held to maturity	**68,218**	32,469
Net increase in restricted investments in bank stocks	**(15)**	(79)
Net increase in loans	**(18,492)**	(8,396)
Proceeds from sale of other real estate owned	**637**	61
Purchases of premises and equipment	**(567)**	(323)
Net Cash Used in Investing Activities	**(26,010)**	(6,258)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	**28,047**	(1,240)
Dividends paid	**(1,316)**	(1,318)
Decrease in short term borrowing	**(123)**	(3,127)
Proceeds from long-term borrowings	**-**	5,000
Purchase of common and Series A treasury stock	**(213)**	(215)
Sale of treasury stock	**99**	134
Net Cash Provided by (Used in) Financing Activities	**26,494**	(766)
Net Increase (Decrease) in Cash and Cash Equivalents	**5,392**	(2,216)
CASH AND CASH EQUIVALENTS - BEGINNING	**1,777**	3,993
CASH AND CASH EQUIVALENTS - ENDING	**$ 7,169**	$ 1,777
SUPPLEMENTARY CASH FLOWS INFORMATION		
Interest paid	**$ 3,179**	$ 3,375
Income taxes paid	**$ 250**	$ 600
Other real estate acquired in settlement of loans	**$ -**	$ 729
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 2,022**	**$ -**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Neffs Bancorp, Inc. and its wholly-owned subsidiary, The Neffs National Bank (the "Bank"), (collectively the "Corporation"). All material intercompany transactions have been eliminated.

COVID-19

The Coronavirus Disease (COVID-19) pandemic was declared a national emergency by the President of the United States on March 22, 2020. State and local authorities have made emergency declarations and issued executive orders to limit the spread of the disease. The impact of COVID-19 has created an unprecedented environment for businesses and consumers alike.

The Corporation has and continues taking steps to protect the health and safety of its employees and to work with its customers experiencing economic consequences from the pandemic. The Corporation has serviced its clients through its drive through facilities, online banking, mobile services, ATM's or by appointment.

The Corporation implemented a loan payment deferral program on a case-by-case basis to assist borrowers that may be experiencing financial hardship due to COVID-19. The federal banking regulatory agencies issued, on March 22, 2020 and revised on April 7, 2020, a joint interagency statement titled the "Interagency Statement on Loan Modifications and Report for Financial Institutions Working with Customers Affected by the Coronavirus" that encourages financial institutions to work with borrowers who request loan modifications or deferrals as a result of COVID-19. The Financial Accounting Standards Board has confirmed that short-term modifications made on a good-faith basis in response to COVID-19 to loan customers who were current prior to any relief are not TDRs. At December 31, 2020, the Corporation had no residential loans and 2 commercial loans with balances totaling $2.9 million in the loan payment deferral program.

The impact of the COVID-19 pandemic on the performance of the Corporation's loan portfolio is unknown at this time due to the uncertainties as to the ultimate duration of the COVID-19 pandemic and its potential effects on the local and national economies.

Subsequent Events

The Corporation has evaluated subsequent events for potential recognition and/or disclosure through March 3, 2021, the date these consolidated financial statements were available to be issued.

Nature of Operations

The Bank operates from two locations in Lehigh County and Northampton County, Pennsylvania. The Bank provides a full range of financial services to individuals, small businesses and corporate customers. The primary source of revenue is interest and fees earned from providing residential mortgages, consumer loans and commercial loans to customers located within the Lehigh Valley of Pennsylvania. The Bank's primary deposits are checking accounts, savings accounts and certificates of deposit. As a national bank, the Bank is subject to regulation by the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation. The Corporation is also subject to regulations of the Federal Reserve Bank.

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 the disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the evaluation of other than temporary impairment losses, the determination of the allowance for loan losses, the valuation of other real estate owned, and deferred tax assets.

Significant Concentrations of Credit Risk

Most of the Corporation's activities are with customers located within the Lehigh Valley of Pennsylvania. Note 4 discusses the types of securities that the Corporation invests. Note 5 discusses the types of lending that the Corporation engages. The Corporation does not have any significant concentrations to any one industry or customer. Although the Corporation has a diversified loan portfolio, exposure to credit loss can be adversely impacted by downturns in local economic and employment conditions.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Corporation has defined cash and cash equivalents as cash on hand and amounts due from banks, all of which mature within 90 days.

Securities

Securities classified as held to maturity are those debt securities the Corporation has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by the interest method over the terms of the securities except for other-than-temporarily impaired securities.

Securities classified as available for sale are those debt securities that the Corporation intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Corporation's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income (loss), net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

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 determining whether an impairment is other than temporary, the Corporation considers a number of factors, including, but not limited to, the length of time and extent to which the market value has been less than cost, recent events specific to the issuer, including investment downgrades by rating agencies and economic conditions of its industry, and the Corporation's intent to sell or the likelihood it will be required to sell the security before a sufficient period of time to allow for a recovery in market value or maturity. Among the factors that are considered in determining the Corporation's intent and ability is a review of its capital adequacy, interest rate risk position and liquidity.

The Corporation also considers the issuer's financial condition, capital strength and near-term prospects. In addition, for debt securities and perpetual preferred securities that are treated as debt securities for the purpose of other-than-temporary analysis, the Corporation considers the cause of the price decline (general level of interest rates and industry- and issuer-specific factors), current ability to make future payments in a timely manner and the issuer's ability to service debt.

There were no impairment charges recognized in earnings in 2020 or 2019 on other-than-temporarily impaired securities.

Restricted Investments in Bank Stocks

Restricted stocks include primarily Federal Home Loan Bank ("FHLB") stock, which is carried at cost. Federal law requires a member institution of the FHLB system to hold stock of its district FHLB according to a predetermined formula. Restricted stocks include FHLB, Atlantic Community Bankers Bank, Federal Reserve Bank, and Independent Community Bankers of America of $601,000, $10,000, $21,000 and $1,000, respectively, at December 31, 2020 and $586,000, $10,000, $21,000 and $1,000, respectively, at December 31, 2019. Both cash and stock dividends are reported as income.

Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. Management believes no impairment charge was necessary related to these investments during 2020 or 2019.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due for commercial loans or 120 days past due for consumer loans or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses and, subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance for loan losses is reviewed at least quarterly and includes a portfolio analysis and a review of various qualitative/quantitative factors.

Qualitative/quantitative factors include the following:

- historical loan loss experience,
- recent trends in losses,
- changes in lending policies and procedures including underwriting standards and collection, charge-off, and recovery practices,
- changes in national and local economic and business conditions including condition of various market segments,
- changes in nature and volume of the portfolio,
- experience, ability, and depth of lending management and staff,

- trends in the volume and severity of past due and classified loans and volume of non-accrual loans, troubled debt restructuring, and other loan modifications,
- changes in the quality of the Bank's loan review system,
- the existence and effect of any large credits and concentrations of credit and changes in the level of such concentrations,
- the effect of external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the portfolio, and
- trends in values of collateral and lending standards relating to various types of collateral.

This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

Commercial loans are continuously reviewed and have the following internal credit classifications. Loans are classified as Pass when there is no material financial or collateral weaknesses and they are performing according to terms. Loans classified as other assets especially mentioned ("OAEM")/Special Mention have potential financial weaknesses, minor or no collateral weaknesses, and minor delinquencies. Substandard loans have material financial/collateral weaknesses and/or substantial delinquencies.

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. A loan is considered impaired when, based on current information and events, it is probable that the Corporation 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 net realizable value of the collateral if the loan is collateral dependent.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property. Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging, equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. In underwriting commercial and industrial loans, an analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower is performed. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Corporation's analysis. Commercial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the type of collateral securing the loans.

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

Residential mortgage loans are originated primarily within the Corporation's market area. The Corporation offers fixed-rate mortgage loans with terms up to a maximum of 30 years for both permanent structures and those under construction. The Corporation's residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Corporation's residential mortgage loans originate with a loan-to-value of 80% or less. In underwriting residential real estate loans, the Corporation evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. Properties securing real estate loans made by the Corporation are appraised by independent appraisers. The Corporation generally requires borrowers to obtain an attorney's title opinion or title insurance, as well as fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Corporation has not engaged in subprime residential mortgage originations.

The Corporation originates home equity lines of credit primarily within the Corporation's market area or with customers primarily from the market area. In underwriting home equity lines of credit, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. The analysis is based on the customer's ability to repay and on the collateral or security. Home equity lines of credit generally present a lower level of risk than non-real estate consumer loans because they are secured by the borrower's primary residence.

The Corporation offers a variety of secured and unsecured consumer loans, including vehicle and loans secured by savings deposits as well as other types of consumer loans. Consumer loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting consumer loans, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay shall be determined by the borrower's employment history, current financial conditions, and credit background. Consumer loans may entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation.

In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Other Real Estate Owned

Other real estate owned is comprised of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure and loans classified as in-substance foreclosure. Foreclosed assets initially are recorded at the lower of cost or fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. Any write downs at this time are recorded through the allowance for loan losses. After foreclosure, valuations are periodically performed by management based on current fair value net of estimated selling costs.

Troubled Debt Restructurings

Loans whose terms are modified are classified as troubled debt restructurings if the Corporation grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring may include extending the maturity date of the loan, reducing the interest rate on the loan to a rate which is below market for those borrowers, a combination of rate adjustments and maturity extensions, or by other means including covenant modifications, forbearances or other concessions. Generally, interest is not accrued on loans that were on non-accrual status prior to the troubled debt restructuring until they have performed in accordance with the modified terms for a period of at least six months. Interest is accrued on troubled debt restructurings which were performing in accordance with their terms prior to the restructure and continue to perform in accordance with their modified terms. Management evaluates the allowance for loan losses with respect to troubled debt restructurings based on the present value of expected future cash flows or the loan's observable market price.

Transfers of Financial Assets

Transfers of financial assets, including sales of loan participations, 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 Corporation, (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 Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the premises and equipment. Charges for maintenance and repairs are expensed as incurred.

Advertising Costs

The Corporation follows the policy of charging the costs of advertising to expense as incurred. Total advertising expense for the years ended December 31, 2020 and 2019 was $140,000 and $119,000, respectively.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expenses reflect 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. Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Corporation files a consolidated federal income tax return with the Bank.

The Corporation follows the Financial Accounting Standards Board ("FASB") guidance on accounting for uncertainty in income taxes. A tax position is recognized as a benefit at the largest amount that is more-likely-than-not to be sustained in a tax examination based solely on its merits. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained. Under the threshold guidelines, the Corporation believes no significant uncertain tax positions exist, either individually or in the aggregate, that would result in recognition of a liability for unrecognized tax benefits as of December 31, 2020 and 2019.

Earnings per Share

Earnings per share is based on the weighted average shares of common stock outstanding during each year. The Corporation currently maintains a simple capital structure, thus there are no dilutive effects on earnings per share.

Self-Insurance

The Corporation is party to an agreement with its health insurance provider to supply coverage to its employees under a self-insurance arrangement. Under this arrangement, the Corporation is billed monthly by the provider to pay claims. To limit exposure under this arrangement, the Corporation obtained stop-loss coverage with a specific annual deductible of $40,000 per covered participant and reimbursement of claims are unlimited per covered participant over a lifetime. The stop-loss coverage also provides reimbursement up to $1,000,000 if total claims in the aggregate for the Corporation exceed approximately $458,000 during a policy year.

Employee Benefit Plan

The Bank has a non-contributory defined contribution pension plan covering all full-time employees having at least one month of service. Contribution amounts are determined annually by the Bank and are charged to current operating expense. The expense amounted to $134,000 and $138,000 for 2020 and 2019, respectively.

Comprehensive Gain (Loss)

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 securities, are reported as a separate component of the equity section of the statement of financial condition, such items, along with net income, are components of comprehensive income and are reflected in the Consolidated Statements of Comprehensive Income.

The components of accumulated other comprehensive income (loss), net of related tax effects, at December 31, 2020 and 2019 are as follows:

	2020	2019
Unrealized holding gains (losses) on securities available for sale, net of tax	$1,595	$545
Unrealized losses on securities other-than-temporarily impaired held to maturity, net of tax	(277)	(303)
	$1,318	$242

Treasury Stock

The acquisition of treasury stock is recorded under the cost method. At the date of subsequent reissue, the treasury stock is reduced by the cost of such stock on the first-in first-out basis with any excess proceeds being credited to paid-in capital. When treasury stock is retired the par value of shares is charged to common stock, the original paid-in capital is charged to that account and the excess of the cost of the treasury stock is charged to retained earnings.

Newly Issued not yet Effective Accounting Standards

During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, “Measurement of Credit Losses on Financial Instruments.” ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for loan losses that is deducted from the amortized cost basis. The measurement of expected loan losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, the FASB also issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses", ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses"; ASU No. 2019-05 "Targeted Transition Relief"; and ASU No. 2019-11, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses"; and ASU No. 2020-03 "Codification Improvements to Financial Instruments." ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASUs Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Corporation is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

NOTE 2 - REVENUE RECOGNITION

The Corporation generally fully satisfies its performance obligation on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The main types of revenue contracts included in non-interest income within the consolidated statements of income are as follows:

- **Deposits related fees and service charges-** Service charges and fees on deposits which are included as liabilities in the consolidated statements of financial condition consist of transaction-based fees, account maintenance fees, and overdraft services fees for various retail and business checking customers. Transaction based fees, which includes services such as automated teller machines (ATM) fees, Automated Clearing House (ACH) fees, stop payment charges and statement rendering fees which are recognized at the time transaction is executed as that is the point in time the Corporation fulfills the customer's request. All deposit liabilities are considered to have one-day terms and therefore related fees are recognized as non-interest income at the time when the services are provided to the customer. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn directly from the customer's account balance.

- **Interchange Income -** The Corporation earns interchange fees from credit/debit cardholder transactions conducted through Visa payment network. Interchange fees from cardholder transaction represent a percentage of the underlying transaction value and are recognized monthly, concurrently with the transaction processing services provided to the cardholder.

- **Gains/Losses on Sale of Other Real Estate Owned (OREO) -** The Corporation records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of OREO to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO assets are derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction prices and related gain (loss) on sale if a significant financing component is present.

NOTE 3 - CASH AND CASH EQUIVALENTS

Regulations of the Board of Governors of the Federal Reserve System impose uniform reserve requirements on all depository institutions with transaction accounts (checking accounts, NOW accounts, etc.). Reserves are maintained in the form of vault cash or a non-interest bearing balance held with the Federal Reserve Bank. The Bank also, from time to time, maintains deposits with the Federal Reserve Bank and other banks for various services such as check clearing. The reserve requirement at December 31, 2020 and 2019 was $1,496,000 and $1,245,000, respectively.

NOTE 4 - SECURITIES

The amortized cost and fair values of securities are as follows:

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
SECURITIES AVAILABLE FOR SALE:				
Mortgage-backed securities (Government agencies- residential)	$80,745	$2,069	$(50)	$82,764
SECURITIES HELD TO MATURITY:				
Obligations of U.S. Government agencies	$6,686	$ 276	$ -	$6,962
Obligations of states and political subdivisions	93,202	3,922	(124)	97,000
Collateralized debt obligations	907	487	(333)	1,061
Mortgage-backed securities (Government agencies- residential)	240	29	-	269
	$101,035	$4,714	$(457)	$105,292

	December 31, 2019			
SECURITIES AVAILABLE FOR SALE:				
Mortgage-backed securities (Government agencies- residential)	$59,665	$846	$(156)	$60,355
SECURITIES HELD TO MATURITY:				
Obligations of U.S. Government agencies	$42,127	$ 97	$ (177)	$42,047
Obligations of states and political subdivisions	78,863	2,283	(41)	81,105
Collateralized debt obligations	900	595	(173)	1,322
Mortgage-backed securities (Government agencies- residential)	301	24	-	325
	$122,191	$2,999	$(391)	$124,799

The amortized cost and fair values of securities at December 31, 2020, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers 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
	(In Thousands)			
Due in one year or less	$ -	$ -	$ 150	$ 150
Due after one year through five years	-	-	750	771
Due after five years through ten years	-	-	26,464	28,056
Due after ten years	-	-	73,431	76,046
	-	-	100,795	105,023
Mortgage-backed securities	80,745	82,764	240	269
	$80,745	$82,764	$101,035	$105,292

There were no sales of securities during 2020. The Bank sold a collateralized debt obligation security that was previously written down in full for a gain of $767,000 in 2019.

Securities with an amortized cost and fair value of approximately $23,099,000 and $26,302,000 at December 31, 2020 and $15,500,000 and $15,398,000 at December 31, 2019 were pledged to secure public deposits and for other purposes required or permitted by law.

The following tables show the Corporation's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2020 and 2019:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
DECEMBER 31, 2020:						
Securities Available for Sale:						
Mortgage-backed securities	$14,897	$(50)	$ -	$ -	$14,897	$(50)
Securities Held to Maturity:						
Obligations of states and political subdivisions	7,941	(124)	-	-	7,941	(124)
Collateralized debt obligations	-	-	541	(333)	541	(333)
Total Temporarily Impaired Securities	$22,838	$(174)	$541	$(333)	$23,379	$(507)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
DECEMBER 31, 2019:						
Securities Available for Sale:						
Mortgage-backed securities	$18,660	$(89)	$8,928	$(67)	$27,588	$(156)
Securities Held to Maturity:						
Obligations of U.S. Government agencies	2,963	(26)	35,833	(151)	38,796	(177)
Obligations of states and political subdivisions	4,092	(37)	2,230	(4)	6,322	(41)
Collateralized debt obligations	-	-	698	(173)	698	(173)
Total Temporarily Impaired Securities	$25,715	$(152)	$47,689	$(395)	$73,404	$(547)

The Corporation had 31 and 114 securities in an unrealized loss position at December 31, 2020 and 2019, respectively. The decline in fair value is due to interest rate and market fluctuations. There were no other-than-temporary impairment charges in 2020 or 2019. See Note 1 for further discussion on management's other-than-temporary impairment analysis. As the Corporation does not intend to sell nor is it expected to be required to sell other such investments until maturity or market price recovery, no other securities were deemed to be other-than-temporarily impaired.

NOTE 5 - LOANS

The composition of the Corporation's loan portfolio at December 31, 2020 and 2019 is as follows:

	2020	2019
	(In Thousands)	
Commercial real estate	$ 70,314	$ 70,518
Commercial non-real estate	23,007	16,958
Residential real estate	88,359	78,702
Real estate construction	608	53
Home equity	11,883	11,075
Other consumer	11,438	9,811
Total loans	205,609	187,117
Allowance for loan losses	(2,258)	(2,044)
Total loans, net of allowance for loan losses	$203,351	$185,073

As part of the CARES Act, the Corporation began accepting loan applications for the Paycheck Protection Program (PPP) from qualified borrowers on April 6, 2020. The Corporation had previously been an approved Small Business Administration (SBA) 7(a) lender which carried automatic approval to offer PPP loans. As of December 31, 2020, the Corporation had a total of 113 PPP loans with a receivable balance of $4.8 million. As of December 31, 2020, the Corporation has received forgiveness payments on PPP loans of $526,000 and has an additional $1.1 million of PPP loan forgiveness applications submitted to the SBA awaiting decision on forgiveness.

These PPP loans are 100 percent guaranteed by the SBA, have a two year or up to five year maturity and an interest rate of 1 percent throughout the term of the loan, with payments deferred until a forgiveness payment has been remitted by the SBA or 10 months after the borrower's covered period (8-24 weeks from funding date) expires. The

SBA may forgive the PPP loans if certain conditions are met by the borrower, including using at least 60 percent of the proceeds for payroll costs. The SBA also provides the Corporation with a processing fee for each loan with the amount of such fee pre-determined by the SBA dependent upon the size of each loan. Because of the 100 percent SBA guarantee, the Corporation has determined no specific allowance for loan losses is required on the PPP loans. All PPP loans have a pass rating, and none are past due their contractual terms.

NOTE 6 - ALLOWANCE FOR LOAN LOSSES

Transactions in the allowance for loan losses are summarized as follows:

	2020	2019
	(In Thousands)	
Balance, beginning	$2,044	$2,043
Provision	214	-
Recoveries credited to allowance	32	8
Losses charged to allowance	(32)	(7)
Balance, ending	$2,258	$2,044

The following summarizes the allowance for loan losses and recorded investment in classes of loans as of and for year ended December 31, 2020:

	Commercial Real Estate	Commercial Non-Real Estate	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer	Unallocated	Total
						(In Thousands)		
Allowance beginning balance	$890	$153	$784	$-	$94	$100	$23	$2,044
Losses charged to allowance	-	-	-	-	-	(32)	-	(32)
Recoveries credited to allowance	16	-	5	-	3	8	-	32
Provision	(31)	67	140	5	10	46	(23)	214
Allowance ending balance	$875	$220	$929	$5	$107	$122	$-	$2,258
Ending balance: individually evaluated for impairment	$34	$-	$31	$-	$-	$-	-	$65
Ending balance: collectively evaluated for impairment	$841	$220	$898	$5	$107	$122	$-	$2,193
Loans								
Ending balance	$70,314	$23,007	$88,359	$608	$11,883	$11,438	-	$205,609
Ending balance: individually evaluated for impairment	$4,785	$-	$703	$-	$56	$19	-	$5,563
Ending balance: collectively evaluated for impairment	$65,529	$23,007	$87,656	$608	$11,827	$11,419	-	$200,046

The following summarizes the allowance for loan losses and recorded investment in classes of loans as of and for year ended December 31, 2019:

	Commercial Real Estate	Commercial Non-Real Estate	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer	Unallocated	Total
						(In Thousands)		
Allowance beginning balance	$794	$175	$894	$5	$99	$76	$-	$2,043
Losses charged to allowance	-	-	-	-	-	(7)	-	(7)
Recoveries credited to allowance	-	-	4	-	4	-	-	8
Provision	96	(22)	(114)	(5)	(9)	31	23	-
Allowance ending balance	$890	$153	$784	$-	$94	$100	$23	$2,044
Ending balance: individually evaluated for impairment	$105	$-	$40	$-	$-	$5	-	$150
Ending balance: collectively evaluated for impairment	$785	$153	$744	$-	$94	$95	$23	$1,894
Loans								
Ending balance	$70,518	$16,958	$78,702	$53	$11,075	$9,811	-	$187,117
Ending balance: individually evaluated for impairment	$2,007	$-	$734	$-	$25	$29	-	$2,795
Ending balance: collectively evaluated for impairment	$68,511	$16,958	$77,968	$53	$11,050	$9,782	-	$184,322

The following summarizes commercial credit risk profile by internally assigned grade at December 31, 2020 and 2019:

	2020		2019	
	Commercial Real Estate	Commercial Non-Real Estate	Commercial Real Estate	Commercial Non-Real Estate
	(In Thousands)			
Pass	$62,022	$22,862	$65,300	$16,958
OAEM/Special Mention	4,043	94	3,212	-
Substandard	3,897	51	1,532	-
Non-Accrual	352	-	474	-
Total	$70,314	$23,007	$70,518	$16,958

The following summarizes consumer credit risk profile based on payment activity at December 31, 2020 and 2019:

	2020			
	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer
	(In Thousands)			
Performing	$87,656	$608	$11,827	$11,419
Nonperforming	703	-	56	19
Total	$88,359	$608	$11,883	$11,438

	2019			
	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer
	(In Thousands)			
Performing	$77,968	$ 53	$11,050	$9,782
Nonperforming	734	-	25	29
Total	$78,702	$ 53	$11,075	$9,811

The composition of impaired loans at December 31, 2020 and 2019 is as follows:

	2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In Thousands)				
With no related allowance recorded					
Commercial real estate	$3,923	$3,923	$ -	$3,959	$138
Residential real estate	543	543	-	556	17
Home equity	56	56	-	61	3
Other consumer	19	19	-	19	1
With related allowance recorded					
Commercial real estate	862	862	34	882	41
Residential real estate	160	160	31	168	5
Total					
Commercial real estate	$4,785	$4,785	$34	$4,841	$179
Residential real estate	703	703	31	724	22
Home equity	56	56	-	61	3
Other consumer	19	19	-	19	1
	$5,563	$5,563	$65	$5,645	$205

	2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In Thousands)				
With no related allowance recorded					
Commercial real estate	$1,712	$1,712	$ -	$1,551	$83
Residential real estate	485	485	-	501	14
Home equity	17	21	-	27	1
Other consumer	24	24	-	29	1
With related allowance recorded					
Commercial real estate	295	295	105	303	17
Residential real estate	249	249	40	258	11
Home equity	8	8	-	10	-
Other consumer	5	5	5	5	-
Total					
Commercial real estate	$2,007	$2,007	$105	$1,854	$100
Residential real estate	734	734	40	759	25
Home equity	25	29	-	37	1
Other consumer	29	29	5	34	1
	$2,795	$2,799	$150	$2,684	$127

Age analysis of past due loans and non-accrual loans by class of the loan portfolio as of December 31, 2020 and 2019 is as follows:

	2020							
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Total Loans Receivable	90 Days and Over and Accruing	Non-Accrual
	(In Thousands)							
Commercial real estate	$373	$105	$-	$478	$69,836	$70,314	$ -	$352
Commercial non-real estate	18	94	-	112	22,895	23,007	-	-
Residential real estate	1,024	406	230	1,660	86,699	88,359	145	176
Real estate construction	-	-	-	-	608	608	-	-
Home equity	86	18	53	157	11,726	11,883	36	17
Other consumer	228	43	19	290	11,148	11,438	17	3
Total	$1,729	$666	$302	$2,679	$202,912	$205,609	$198	$548

	2019							
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Total Loans Receivable	90 Days and Over and Accruing	Non-Accrual
	(In Thousands)							
Commercial real estate	$391	$149	$31	$571	$69,947	$70,518	$ -	$474
Commercial non-real estate	52	-	-	52	16,906	16,958	-	-
Residential real estate	429	487	151	1,067	77,635	78,702	151	104
Real estate construction	-	-	-	-	53	53	-	-
Home equity	61	88	17	166	10,909	11,075	-	17
Other consumer	206	12	29	247	9,564	9,811	22	7
Total	$1,139	$736	$228	$2,103	$185,014	$187,117	$173	$602

NOTE 7 - PREMISES AND EQUIPMENT

The following summarizes premises and equipment at December 31, 2020 and 2019:

	Estimated Useful Lives	2020	2019
		(In Thousands)	
Premises	5-39 years	$5,853	$3,557
Furniture, fixtures and equipment	5-10 years	4,154	3,860
		10,007	7,417
Accumulated depreciation		(5,872)	(5,564)
		4,135	1,853
Land		313	313
		$4,448	$2,166

NOTE 8 – OTHER REAL ESTATE OWNED

Other real estate owned activity was as follows for the years ended December 31, 2020 and 2019:

	2020	2019
	(In Thousands)	
Beginning balance	$702	$69
Acquired real estate owned	-	729
Direct write-downs	(65)	(27)
Sales of real estate owned	(637)	(69)
End of year	$-	$702

There was no real estate owned at December 31, 2020. At December 31, 2019, the balance of real estate owned was $702,000 of foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property. At December 31, 2020 and 2019, the recorded investment of commercial real estate, residential real estate and home equity loans secured by residential real estate properties for which formal foreclosure proceedings are in process is $102,000 and $17,000, respectively.

Consolidated statements of income activity related to other real estate owned for the years ended December 31, 2020 and 2019 include:

	2020	2019
	(In Thousands)	
Loss on sale of other real estate owned	$-	$8
Operating expenses (included in other expenses)	$68	$150

NOTE 9 - INTEREST BEARING DEPOSITS

Interest bearing deposits include certificates of deposit issued in denominations of $100,000 or greater which amounted to $54,501,000 and $55,811,000 at December 31, 2020 and 2019, respectively.

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 at December 31, 2020 and 2019 were $16,157,000 and $16,638,000, respectively.

Interest bearing deposits at December 31, 2020 and 2019 are further detailed as follows:

	2020	2019
	(In Thousands)	
Savings accounts	$ 103,686	$ 85,945
NOW accounts	16,561	10,700
Certificates and other time deposits	134,932	139,831
	$255,179	$236,476

Time deposits at December 31, 2020 had the following scheduled maturities (in thousands):

Years Ending December 31:	
2021	$ 60,999
2022	32,187
2023	12,787
2024	14,227
2025	14,732
Total	$134,932

NOTE 10 – BORROWINGS AND BORROWING CAPACITY

The Bank has a line of credit commitment available from Atlantic Community Bankers Bank for borrowings up to $10,000,000 in federal funds. Borrowings on this line are repaid on a daily basis. There were no borrowings under this line at December 31, 2020 and $123,000 at December 31, 2019.

The Bank has maximum borrowing capacity with the Federal Home Loan Bank ("FHLB") of approximately $106,327,000. Borrowings under this line were $10,000,000 at December 31, 2020 and $10,000,000 at December 31, 2019. Advances from the FHLB are secured by qualifying assets of the Bank.

At December 31, 2020 and 2019, the Corporation had the following borrowings outstanding from the FHLB:

Loan Type	Maturity Date	Interest Rate at December 31, 2020	2020 Principal Outstanding	2019 Principal Outstanding
Mid Term	November 5, 2021	1.817%	2,500,000	2,500,000
Fixed Term	June 6, 2022	3.005%	3,000,000	3,000,000
Fixed Term	March 6, 2023	2.880%	2,000,000	2,000,000
Fixed Term	November 5, 2024	1.913%	2,500,000	2,500,000
			$10,000,000	$10,000,000

NOTE 11 - INCOME TAXES

The components of the net deferred tax asset at December 31, 2020 and 2019 are as follows:

	2020	2019
	(In Thousands)	
Losses on impaired security	$111	$118
Allowance for loan losses	474	429
Accrued benefits	35	32
Lease liability	415	-
Losses on impaired premises and equipment	112	112
Total Deferred Tax Assets	1,147	691
Securities accretion	(62)	(66)
Unrealized gain on securities	(424)	(145)
Depreciation	(153)	(115)
Right of use asset	(414)	-
Total Deferred Tax Liabilities	(1,053)	(326)
Net Deferred Tax Asset (included in other assets)	$94	$365

The income tax provision for financial reporting purposes differs from the amount computed by applying the statutory income tax rate to income before income taxes. The differences for the years ended December 31, 2020 and 2019 are as follows:

	2020		2019	
	Amount	% of Pretax Income	Amount	% of Pretax Income
	(Dollars in Thousands)			
Tax at statutory rate	$826	21 %	$1,140	21 %
Increase (decrease) resulting from:				
Tax-exempt interest income	(510)	(13)	(519)	(10)
TEFRA interest expense disallowance	30	1	35	1
Other	-	-	9	1
	$346	9 %	$665	13 %

The Corporation is subject to income taxes in the U.S. and the state of Pennsylvania. Tax regulations are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

NOTE 12 – STOCKHOLDERS' EQUITY

The Corporation is authorized to issue 2,500,000 shares of common stock and 1,000,000 shares of serial preferred stock, par value of $1.00 per share, of which 500,000 shares of Series A preferred stock was authorized in August 2011. The Series A preferred stock liquidation value is $260.21 per share and is non-cumulative with respect to dividends. The Series A preferred stock ranks senior to the common stock and all classes and series of equity securities of the Corporation as to dividend rights, rights of liquidation, and dissolution or winding up of the Corporation. Holders of the Series A preferred stock are generally entitled to vote upon any merger or similar transaction involving the Corporation in which the holders of common stock are entitled to vote and are otherwise entitled to vote as required by law. The Series A preferred stock is entitled to a preference in the distribution of dividends and liquidation rights, callable any time after the fifth anniversary following issuance, automatically convert into shares of the Corporation's common stock immediately prior to the closing of a change in control, and provides antidilution adjustments when the outstanding shares of common stock are increased or decreased. Series A preferred stock does not have any preemptive or preferential rights.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Bank entered into a lease agreement for a branch office in Walnutport, Pennsylvania in October 2019. The terms provide for lease payments to begin in April 2020 for 29 years and 11 months. The Bank opened the branch for operation in April 2020. The Corporation had an increase on its consolidated balance sheet as of December 31, 2020 for the right of use asset of $1,972,000 recorded in premises and equipment, offset by lease liabilities of $1,976,000 recorded in other liabilities on the consolidated balance sheets.

Rental payments are $5,000 per month for the first five years with escalating payments of 7 percent every five years until maturity.

NOTE 14 - RELATED PARTY TRANSACTIONS

Some of the Corporation's or the Bank's directors, principal officers, principal shareholders and their related interests had transactions with the Bank in the ordinary course of business. All transactions were made on substantially the same terms, including collateral and interest rates, as those prevailing at the time for comparable transactions with persons not related. In the opinion of management, these transactions do not involve more than normal risk of collectability or present other unfavorable features. Deposits of related parties totaled $4,046,000 and $3,545,000 at December 31, 2020 and 2019, respectively. It is anticipated that similar transactions will be made in the future. The following is an analysis of loans to these related parties during 2020 and 2019:

	2020	2019
	(In Thousands)	
Balances, January 1	$1,503	$1,659
Advances	515	423
Repayments	(421)	(579)
Balances, December 31	$1,597	$1,503

NOTE 15 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The contract or notional amounts of these instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contract or notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The following table identifies the contract or notional amount of those instruments at December 31, 2020 and 2019:

	2020	2019
	(In Thousands)	
Commitments to grant loans	$6,398	$4,899
Unfunded commitments under lines of credit	22,193	18,353
Letters of credit	258	360
	$28,849	$23,612

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

Outstanding letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Corporation requires collateral supporting these letters of credit as deemed necessary. The maximum undiscounted exposure related to these commitments at December 31, 2020 and 2019 was $258,000 and $360,000, respectively. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2020 and 2019 for guarantees under standby letters of credit issued is not material.

NOTE 16 - DIVIDEND RESTRICTIONS

The amount of funds available to a parent from its subsidiary bank is limited for all national banks by restrictions imposed by the Comptroller of the Currency. A national bank is required to obtain the approval of the Comptroller of the Currency if the total of all dividends declared in any calendar year exceeds the Bank’s net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. Under this formula, the Bank can declare dividends at December 31, 2020 of approximately $5,537,000 plus an additional amount equal to the Bank’s net profits for 2020, up to the date of any such dividend declaration.

NOTE 17 - CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. 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 assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. 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 consolidated financial statements. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020 that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since those notifications that management believes have changed those categories.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework) for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of January 1, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital; but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies’ capital rules. Under the interim final rules, the community bank leverage ratio minimum requirement is 8 percent as of December 31, 2020, 8.5 percent for calendar year 2021, and 9 percent for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2020 the Bank was defined as a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The Bank's actual capital ratios as of December 31, 2020 and 2019 are as follows:

	2020			
	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
Tier 1 capital (to average assets):	$72,195	18.05%	≥19,996	≥5.00

	2019					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
Total capital (to risk-weighted assets):	$72,055	37.0 %	$≥15,574	≥8.0 %	$≥19,468	≥10.0 %
Common equity Tier 1 (CET1) capital (to risk-weighted assets):	70,010	36.0	≥ 8,760	≥4.5	≥ 12,654	≥ 6.5
Tier 1 capital (to risk-weighted assets):	70,010	36.0	≥11,681	≥6.0	≥ 15,574	≥ 8.0
Tier 1 capital (to average assets):	70,010	18.7	≥15,012	≥4.0	≥ 18,765	≥ 5.0

The Federal Reserve Board approved a final rule in February 2006 that expands the definition of a small bank holding company ("BHC") under the Board's Small Bank Holding Company Policy Statement and the Board's risk-based and leverage capital guidelines for bank holding companies by raising the small BHC asset size threshold from $150 million to $500 million and amended the related qualitative criteria for determining eligibility as a small BHC for the purposes of the policy statement and the capital guidelines. Based on the ruling, Neffs Bancorp, Inc. meets the eligibility criteria of a small BHC and is exempt from regulatory capital requirements administered by the federal banking agencies.

NOTE 18 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Management uses its best judgment in estimating the fair value of the Corporation's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Corporation could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC Topic 820 – Fair Value Measurement, the fair value of a financial instrument 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 is best determined based upon quoted market prices. However, in some instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

	December 31, 2020			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Mortgage-backed securities available for sale	$ 82,764	$ -	$ 82,764	$ -
	December 31, 2019			
Mortgage-backed securities available for sale	$ 60,355	$ -	$ 60,355	$ -

For assets measured at fair value on a non-recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

	December 31, 2020			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 33	$ -	$ -	$ 33
Impaired loans	957	-	-	957

	Fair Value	Valuation Technique	Unobservable Input	Range
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 33	Income valuation	Collateral credit quality	4.8%
Impaired loans	957	Appraisal of collateral(1)(2)	Collateral discounts(2)	20-30%

(1) Fair value is generally determined through independent appraisals of the underlying collateral.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.

	December 31, 2019			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 29	$ -	$ -	$ 29
Impaired loans	407	-	-	407
Other real estate owned	702	-	-	702

	Fair Value	Valuation Technique	Unobservable Input	Range
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 29	Income valuation	Collateral credit quality	5.7%
Impaired loans	407	Appraisal of collateral(1)(2)	Collateral discounts(2)	20-30%
Other real estate owned	702	Appraisal of collateral(1)(2)	Collateral discounts(2)	20-30%

(1) Fair value is generally determined through independent appraisals of the underlying collateral.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.

The Corporation's adoption of ASC Topic 820 applies only to its financial instruments required to be reported at fair value. The Corporation does not have non-financial assets and non-financial liabilities for which adoption would apply in accordance with ASC Topic 820.

The following methods and assumptions were used by the Corporation in estimating financial instrument fair values:

Cash and Cash Equivalents and Interest Bearing Deposits with Banks (Carried at Cost)

The statement of financial condition carrying amounts for cash and cash equivalents and interest bearing deposits with banks approximate the estimated fair values of such assets.

Securities

Level 1 fair values of unimpaired securities held to maturity (carried at cost) and securities available for sale are generally determined by quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Mortgage-backed securities were valued using Level 2 inputs where quoted process are available and observable but not necessarily quotes on identical securities traded in active markets on a daily basis.

At December 31, 2020 the Corporation owned two collateralized debt obligation securities, classified as securities held to maturity, totaling $907,000 book value and $1,061,000 fair value that are backed by trust preferred securities issued by banks, thrifts, and insurance companies (TRUP CDOs). The Corporation analyzed the cash flow characteristics of these securities and determined that one security was other-than-temporarily impaired. The Corporation owned an additional impaired TRUP CDO that was fully charged off that was sold 2019. The market for these securities at December 31, 2020 is not active and markets for similar securities are also not active. The inactivity was evidenced first by a significant widening of the bid-ask spread in the brokered markets in which TRUP CDOs trade and then by a significant decrease in the volume of trades relative to historical levels. The new issue market is also inactive as no new TRUP CDOs have been issued since 2007. There are currently very few market participants who are willing and or able to transact for these securities.

Loans Receivable (Carried at Cost)

Fair values of variable rate loans subject to frequent repricing and which entail no significant credit risk are based on the carrying amounts. The estimated fair values of other loans are estimated by discounting the future cash flows using interest rates currently offered for loans with similar terms to borrowers of similar credit quality along with additional exit rate factors in accordance with ASC 2016-01.

Impaired Loans (Generally Carried at Fair Value)

Impaired loans are considered impaired under the guidance of the loan impairment subsection of the Receivables Topic, ASC Section 310-10-35, under which the Corporation has measured impairment generally based on the fair value of the loan's collateral. Fair value consists of the loan balance less its valuation allowance and is generally determined based on independent third-party appraisals of the collateral or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values based upon the lowest level of input that is significant to the fair value measurements.

Other Real Estate Owned

Other real estate owned consists of properties acquired as a result of deeds in lieu of foreclosure, foreclosure or through other means related to collateral on Corporation loans. Costs relating to the development or improvement of assets are capitalized, and costs relating to holding the property are charged to expense. The Corporation had no other real estate owned at December 31, 2020 and $702,000 at December 31, 2019.

Restricted Investments in Bank Stocks (Carried at Cost)

The carrying amount of restricted investments in bank stocks approximates fair value, and considers the limited marketability of such securities.

Accrued Interest Receivable (Carried at Cost)

The carrying amount of accrued interest is considered a reasonable estimate of fair value.

Deposit Liabilities (Carried at Cost)

For deposits which are payable on demand, the carrying amount is a reasonable estimate of fair value. Fair values of fixed rate time deposits are estimated by discounting the future cash flows using national interest rates and a schedule of aggregate expected maturities.

Accrued Interest Payable (Carried at Cost)

The carrying amount of accrued interest approximates its fair value.

Short-term and Long-term Borrowings (Carried at Cost)

The fair value of these borrowings are estimated using discounted cash flow analysis, based on quoted prices for new advances with similar credit risk characteristics, terms and remaining maturity.

Off-Balance Sheet Instruments (Disclosed at Cost)

The fair value of commitments to extend credit and for outstanding letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account market interest rates, the remaining terms and present credit worthiness of the counterparties.

The estimated fair values of the Corporation's financial instruments at December 31, 2020 and 2019 are as follows:

	December 31, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and short-term investments	$ 14,829	$ 14,829	$ 14,829	$ -	$ -
Securities available for sale	82,764	82,764	-	82,764	-
Securities held to maturity	101,035	105,292	-	105,259	33
Loans, net	203,351	209,860	-	-	209,860
Accrued interest receivable	1,525	1,525	-	1,525	-
Restricted stock	633	633	-	633	-
Financial liabilities:					
Non-interest bearing deposits	67,307	67,307	67,307	-	-
Interest bearing deposits	255,179	258,234	-	258,234	-
Accrued interest payable	536	536	-	536	-
Borrowings	10,000	10,000	-	10,000	-

	December 31, 2019				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and short-term investments	$ 2,691	$ 2,691	$ 2,691	$ -	$ -
Securities available for sale	60,355	60,355	-	60,355	-
Securities held to maturity	122,191	124,799	-	124,770	29
Loans, net	185,073	183,646	-	-	183,646
Accrued interest receivable	1,610	1,610	-	1,610	-
Restricted stock	618	618	-	618	-
Financial liabilities:					
Non-interest bearing deposits	57,963	57,963	57,963	-	-
Interest bearing deposits	236,476	239,001	-	239,001	-
Accrued interest payable	741	741	-	741	-
Borrowings	10,123	10,123	-	10,123	-

NOTE 19 - CONDENSED FINANCIAL INFORMATION OF NEFFS BANCORP, INC. (PARENT ONLY)

STATEMENT OF FINANCIAL CONDITION

	December 31,	
	2020	2019
	(In Thousands)	
ASSETS		
Cash	$ 31	$ 8
Investment in subsidiary	73,514	70,253
Premises and equipment	232	238
Other assets	126	168
Total Assets	$73,903	$70,667
LIABILITY AND STOCKHOLDERS' EQUITY		
Liability, accounts payable	$ 30	$ 30
Stockholders' equity	73,873	70,637
Total Liability and Stockholders' Equity	$73,903	$70,667

STATEMENT OF INCOME

	Years Ended December 31, 2020	2019
	(In Thousands)	
Dividends from subsidiary	$1,450	$1,625
Rental income	17	7
Expenses	(81)	(274)
Income before Income Taxes and Equity in Undistributed Earnings of Subsidiary	1,386	1,358
Income tax benefit	19	53
	1,405	1,411
Equity in undistributed earnings of subsidiary	2,185	3,353
Net income	3,590	4,764
Preferred stock dividend	(49)	(50)
Net income available to common shareholders	$3,541	$4,714

STATEMENT OF CASH FLOWS

	Years Ended December 31, 2020	2019
	(In Thousands)	
Cash Flows from Operating Activities		
Net income	$3,590	$4,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6	6
Equity in undistributed earnings of subsidiary	(2,185)	(3,353)
Impairment of premises and equipment	-	-
Increase in other assets	42	(30)
Increase in accounts payable	-	-
Net Cash Provided by Operating Activities	1,453	1,387
Cash Flows Used in Investing Activities		
Purchase of premises and equipment	-	-
Net Cash Used in Investing Activities	-	-
Cash Flows Used in Financing Activities		
Dividends paid	(1,316)	(1,318)
Purchase of treasury stock	(213)	(215)
Sale of treasury stock	99	134
Net Cash Used in Financing Activities	(1,430)	(1,399)
Net Increase (decrease) in Cash	23	(12)
Cash - Beginning	8	20
Cash - Ending	$ 31	$ 8

"Page intentionally left blank"

SELECTED FINANCIAL DATA (UNAUDITED)

The following financial information is not covered by the auditor's report and must be read in conjunction with the consolidated financial statements and related notes.

	At or For the Year Ended December 31,				
	2020	2019	2018	2017	2016
Interest Income	(Dollars in Thousands, Except Per Share Data)				
Interest and fees on loans	$8,517	$8,016	$7,587	$7,291	$7,493
Interest and dividends on securities	4,692	5,735	5,489	5,208	5,299
Interest on federal funds sold and other	21	56	34	8	7
Total interest income	13,230	13,807	13,110	12,507	12,799
Interest Expense					
Deposits	2,726	3,253	2,725	2,368	2,362
Borrowings	248	184	184	100	47
Total interest expense	2,974	3,437	2,909	2,468	2,409
Net interest income	10,256	10,370	10,201	10,039	10,390
Provision for loan losses	214	-	179	81	-
Net interest income after provision for loan losses	10,042	10,370	10,022	9,958	10,390
Other income	170	1,007	724	261	287
Other expenses	6,276	5,948	5,654	5,012	4,826
Income before income taxes	3,936	5,429	5,092	5,207	5,851
Income Tax Expense	346	665	601	1,316	1,297
Net income	$3,590	$4,764	$4,491	$3,891	$4,554
Per Share Data					
Basic earnings per common share	$22.35	$29.74	$27.94	$24.18	$28.32
Book value	$456.51	$435.52	$405.92	$387.59	$371.06
Dividends declared	$8.00	$8.00	$7.75	$7.70	$7.45
At End of Period					
Total assets	$407,158	$376,142	$370,827	$349,218	$339,054
Securities	183,799	182,546	177,995	169,939	163,002
Total loans, gross	205,609	187,117	179,449	171,758	166,755
Allowance for loan losses	2,258	2,044	2,043	2,090	2,002
Deposits	322,486	294,439	295,679	278,481	273,166
Stockholders' equity	$73,873	$70,637	$66,029	$63,287	$60,658
Common shares outstanding	158,366	158,514	158,476	158,935	158,864
Series A Preferred shares outstanding	6,053	6,153	6,375	6,475	6,567
Key Ratios					
Return on average assets	0.92%	1.28%	1.25%	1.13%	1.37%
Return on average equity	4.97%	6.97%	6.95%	6.28%	7.69%
Net loans to deposit ratio	63.06%	62.86%	60.00%	60.93%	60.31%
Dividend payout ratio (dividends declared divided by net income)	36.66%	27.67%	28.52%	32.72%	27.09%
Equity to asset ratio (average equity divided by average total assets)	18.45%	18.30%	17.96%	18.01%	17.78%